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November 17, 1969

RAILWAY AGE

THE TRANSPORTATION WEEKLY

BUDGET PLANNING 1970

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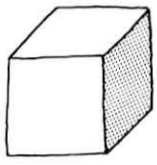

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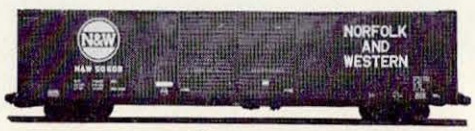

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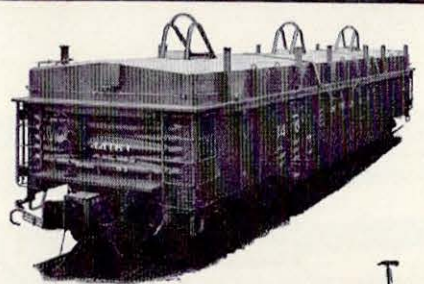

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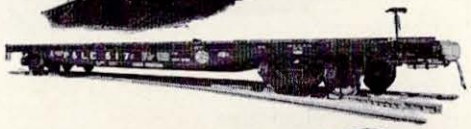

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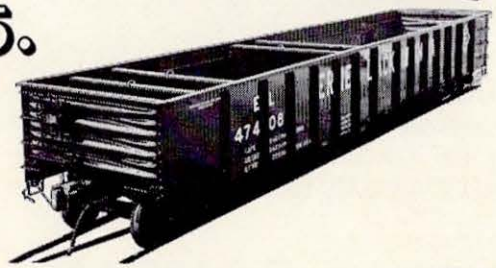

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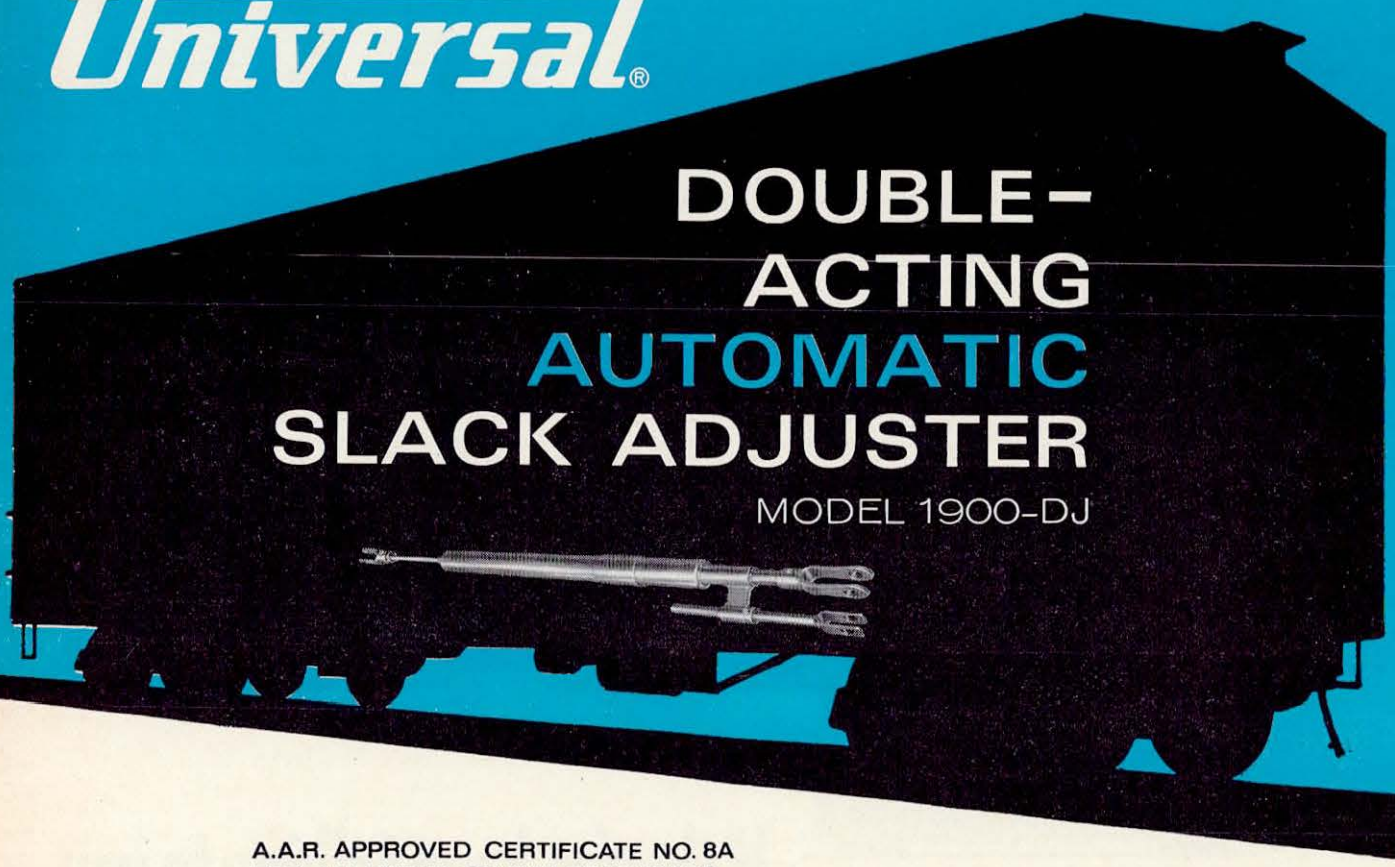

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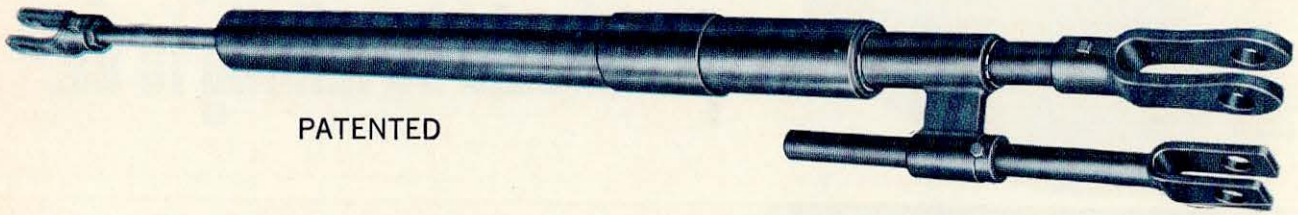

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RAILWAY AGE

November 17, 1969 • Vol. 167, No. 19

THIS WEEK

1970

BUDGET PLANNING—Next year is expected to see equipment and facility outlays like those in the current year . . . . . **p. 20**

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. . . AND COMING NEXT WEEK

TOMORROW'S RAILROADS: No. 11 in this series explores the increasingly important relationship between government and the railroad industry. A healthy relationship, the article says, can lead to progress toward the development of a balanced transportation industry that will grow with the nation and serve it well.

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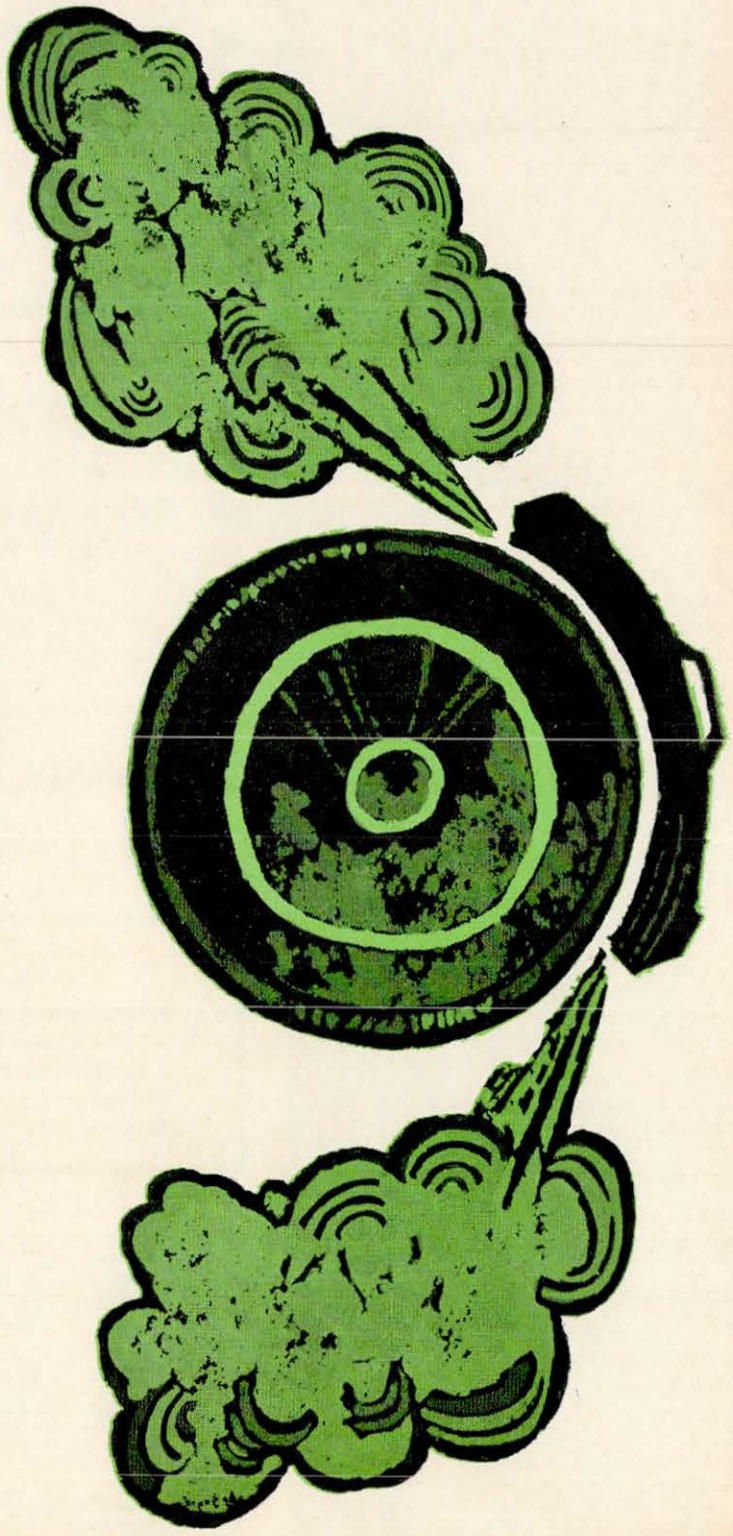

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SHORT AND SIGNIFICANT

Letter ballot circulated on track inspection

Letter ballots were to be mailed last week to AAR member roads, covering recommended minimum standards for track inspection. Specific proposals were not immediately made known by AAR's Engineering Division, but earlier discussion within the AAR involved the setting up of varying frequencies of inspection for different classes of track. Track classification would be based on such considerations as use by passenger trains, levels of tonnage handled and maximum train speeds permitted.

Nyabco brake spans three technologies

A million-dollar order for electro-hydro pneumatic brake units for 123 new Illinois Central commuter cars (page 57) marks the first significant order for New York Air Brake's new railroad braking concept. Nyabco's hydraulic braking has been on test under a locomotive and a Chesapeake & Ohio articulated hopper car (RA, July 28, 1969, p. 22). Nathan R. Owen, chairman of parent General Signal Corp., stressed the introduction of hydraulic technology to railway braking in announcing the order. He noted that the package units for IC's bi-level m-u cars actually combine three General Signal technologies—electrical, pneumatic and hydraulic.

RI merger case gets further extension

The Rock Island merger case, already setting the long-distance record, will get further prolonging. ICC hearings in the case, which ended Aug. 21, 1968, will be re-opened in response to requests by Union Pacific Corp. and Chicago & North Western.

CN and CP seek passenger train deficit relief

Though Canadian Pacific is still contesting the costing formula of the Canadian Transport Commission in Canada's Supreme Court (RA, Oct. 13, p. 8), both CP and Canadian National have filed 31 applications seeking to be relieved of passenger train deficits. Under the National Transportation Act, the CTC can either give the authority to discontinue the trains or, if deemed necessary in the public interest, pay an amount not exceeding 80% of losses in compensation. According to CTC's formula, CP's losses in 1968 amounted to more than $30 million. CP's 18 applications cover all its passenger train operations except commuter services, which are excluded from the 80% compensation section of the act. CN's 13 applications cover regular passenger services on its timetable. In addition, CN has asked for a formal determination of the losses being incurred on two Montreal area commuter services.

Penn Central and DOT win RPI special award

The Railway Progress Institute's first Special Award for Outstanding Achievement in Railroading will be presented this week to the Penn Central and the Department of Transportation. The presentation will be made to DOT Secretary John A. Volpe and Penn Central Chairman Stuart T. Saunders during RPI's annual dinner in Chicago Nov. 20. RPI Chairman J. W. Henderson, Jr., will present the award, and Volpe and Saunders will respond with brief talks. The joint award is for development and operation of the Metroliner high-speed program. Also to be presented at the dinner are RPI's Golden and Silver Freight Car Awards. These go to railroads in recognition of outstanding freight-traffic promotion. The winners have not been announced. The dinner will climax a full day of RPI activities which will include: at 9 a.m., the Rail Executive Panel during which four railroad presidents—Rio Grande's Gus B. Aydelott, Illinois Central's Alan Boyd, Northern Pacific's Louis W. Menk, and Santa Fe's John S. Reed—will be quizzed by four newsmen (with "Meet the Press" producer Lawrence E. Spivak as moderator); at 10:45 a.m., a financial analysts panel.

MONDAY MORNING REPORT

SAUNDERS LAYS IT ON THE LINE

Congress got the word on passenger trains last week—and it was blunt and to the point. If there is going to be any rail passenger service left for inclusion in a national system, preservation must start without further delay, Penn Central Chairman Stuart Saunders warned the House Transportation and Aeronautics Subcommittee. "Our problem cannot wait another year, or even another few months," said Saunders. The "problem" is the drain on rail revenues caused by passenger deficits—so great that eastern roads were down to a 1.29% return on investment last year. The solution, Saunders said, is purely and simply Federal money.

A LITTLE BIT OF MONEY WOULD GO A LONG WAY . . .

In comparison with the $5 billion a year being spent for highways, and the equal amount that goes for transport planes, a sum of $200 million to $250 million is little enough to ask, suggested Penn Central's chief. In Saunders' view, that amount would produce "fantastic improvement" in rail passenger service and "a fantastic return" in passenger convenience. Saunders made it clear that he meant "return" in the sense of service, not profit. No matter how much Federal money is involved, said Saunders, passenger operations cannot be made profitable, Metroliner-like operations excepted. He emphasized: "Any Federal assistance should not be regarded as a subsidy to the railroads, but to the citizens who, through necessity or choice, ride the passenger trains."

. . . FOR SERVICE DETERMINED TO BE ESSENTIAL

"Necessity" was also emphasized by Saunders. He said passenger trains should not be preserved for their own sake—but for the sake of public need, as determined by the government. He made it clear that railroads feel the government ought to pay for any train, "last" or not, which it says railroads must run but which cannot pay its own way. Saunders suggested that essential passenger service could be defined as short-and-intermediate range operations in densely populated areas. He noted that in the East, regional agencies have generally accepted the principle that rail commutation is a public service entitled to public support. But the Federal government, he added, will have to make "a far greater commitment" than in the past.

MEANWHILE, BACK ON THE NEW HAVEN

One example of state recognition of the public service/public support principle, Saunders said, is Penn Central's plan to sell part of its New England Region right of way (New Haven line) to the states of New York and Connecticut. PC then would operate New York-Hartford passenger trains "at a modest management fee."

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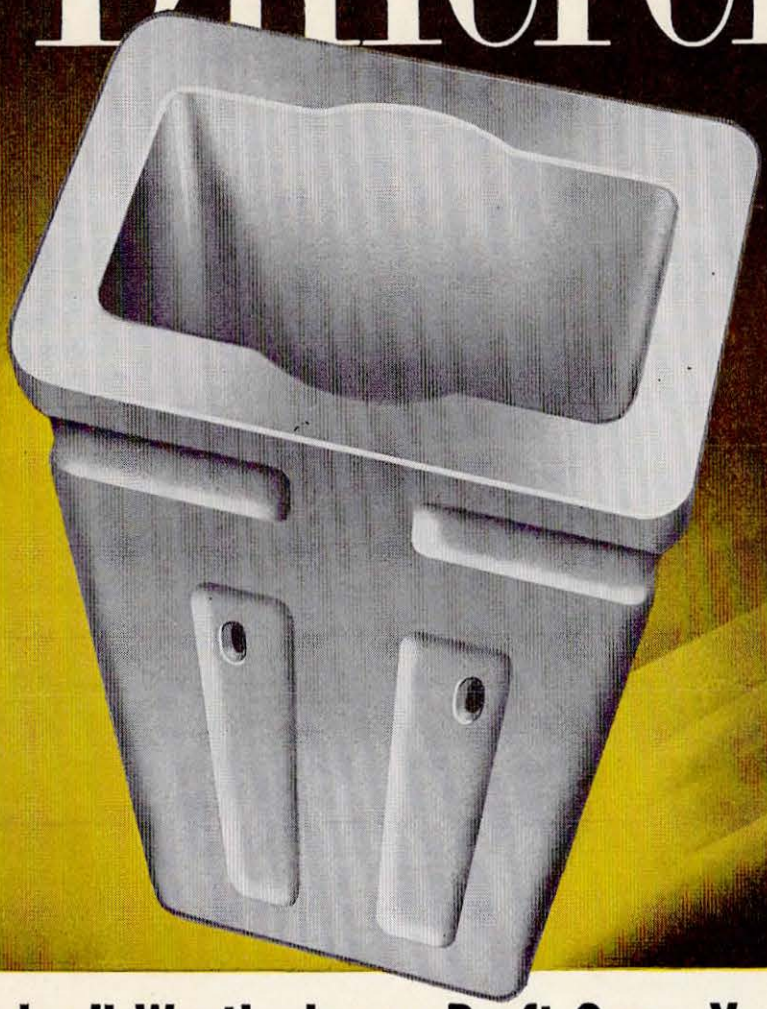

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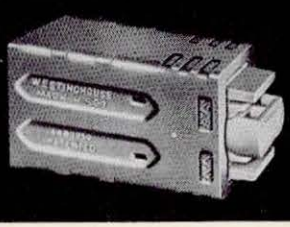

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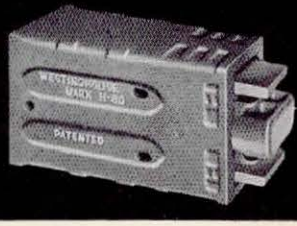

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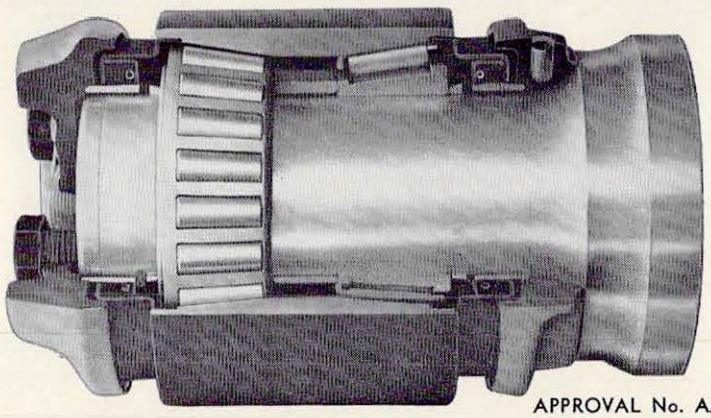

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WEEK AT A GLANCE

Revenues rise, profits drop in first nine months

Railroad revenues climbed to a record $8.5 billion in this year's first three quarters. But expenses also reached a new high, up 4.9% to $6.7 billion; the industry's tax bill was up by 9.1%, to $781 million; and operating rents rose by 8.7%, to $494 million. As a result, the AAR reported last week, net railway operating income dropped to $494 million, down $5 million; and net income fell to $372 million, off 4% from the $388 million reported in the comparable 1968 period. Twenty of the 73 reporting Class I railroads reported deficits for the first nine months. Of these, 13 were in the East, five in the West, and two in the South.

For the 12 months ended Sept. 30, the rate of return on net investment was 2.45%. This compares, noted the AAR, with a return of 7% or more for other regulated industries.

In the third quarter, operating revenues totaled $2.8 billion. This was an increase of $128 million over the third quarter of 1968, but most of the increase was absorbed by higher wage rates and material costs. As a result, operating expenses increased by $100 million and reached a total of $2.3 billion. Also, the third-quarter tax bill rose 5.6% operating rents rose 10.1%.

Fireman-manning dispute enters a new stage

Early December could see a new crisis in the fireman-on/fireman-off dispute between the United Transportation Union and the nation's railroads—but at this point neither the organization nor the carriers seem overly worried. The National Mediation Board closed its file on the case Nov. 4, freeing the parties for action 30 days later. Thus far, there has been no indication from either side as to what may happen—if anything. At one point several months ago, settlement of the long dispute seemed possible, but then talks were broken off by UTU and arbitration was rejected. In some quarters, there is still hope for a negotiated settlement. There is also the probability that an emergency board will be created.

Training-by-simulator contemplated by Educational Bureau

The Railway Educational Bureau, Omaha, has announced the establishment of a Locomotive and Train Simulator Division. The new division is contemplating the operation of a simulator that can be used by railroads to train diesel locomotive engineers.

Woodhouse

It is anticipated that classroom training will be part of the program offered by the Railway Educational Bureau, along with observation and train handling in the simulator. Tentatively, the Bureau is planning to locate the simulator in Omaha.

Harold E. Woodhouse has joined the Bureau as manager of its new simulator division. The Railway Educational Bureau is a division of Simmons-Boardman Publishing Corporation.

Woodhouse until recently was manager-railroad training systems, Link Division, The Singer Company. Earlier he was signal engineer for the New York Susquehanna & Western Railroad Company, where he worked 15 years. Later he became a field engineer in New Jersey for the Primary Battery Division, Thomas A. Edison Company, a division of McGraw-Edison, and then assistant regional manager in Chicago. Subsequently he was general sales manager of Western Railroad Supply Company before joining Link.

For the immediate future, Woodhouse will be located in Simmons-Boardman's Chicago area office at 29 E. Madison St. He will be working with railroads throughout the country to obtain their opinions on specifications for the simulator and their commitments to use it in their engineer training programs.

"The Railway Educational Bureau program will make it possible for roads that cannot justify the purchase of a simulator for their own exclusive use to have the benefits of simulator training for their enginemen," Woodhouse said. "I've consulted with scores of railroads and they recognize that we badly need to improve the effectiveness and efficiency of engineer training—not only to make it faster and less expensive, but to reduce the number of accidents."

Woodhouse took part in all stages of the conception, design and construction of the locomotive and train simulator delivered by Link to the Santa Fe in September (Railway Age, Sept. 15/22, p. 36). He has also been interested, but in no way involved, in the development of a simulator for the Southern Pacific by Conductron Missouri Division of Conductron Corporation. This fixed-location simulator will be the subject of a Railway Age report in an early issue.

GUS WELTY

LINES ON LABOR

IN THE BEGINNING, the Railway Labor Executives' Association was a good idea. It brought together the top people in rail labor. It gave them a forum. It gave them an organization which could be used politically. It gave them a kind of unity. But times change, and RLEA didn't. That's why the house of rail labor will never be the same again.

THE NATIONAL BUSINESS PAPERS say RLEA developed the splits over a legislative issue—the supplemental-pension bill now before Congress. You can believe this, if you also believe that the straw that broke the camel's back represents the whole haystack. You can believe this, if you don't recognize what RLEA is and what rail labor is today.

RLEA DISCOVERED the one-man, one-vote principle a long time ago. Each member of RLEA—and members are chief executives, not unions—has one vote. At the same time, each member supports the association on (more or less) a basis of railway employees represented. As a working body, RLEA is a senate—paid for by a house of representatives.

WITH THE GROWTH of some unions and the decline of others and with the merger of unions, RLEA has become a non-representative club. In a vote, men heading up the biggest can be swamped by men heading up the smallest.

RLEA HAS ALWAYS been dominated by the non-ops. Operating-union chiefs swallowed hard, but in most instances they accepted their secondary role. It's a bit ironic now that it is a non-op union president—the Clerks' Les Dennis—who took the initiative in pulling out of the club. But Dennis has been experiencing the same frustrations that the ops have long experienced. So far as he's concerned, there has to be a better way for labor to pursue its joint goals.

DENNIS ISN'T ALONE. United Transportation Union President Charles Luna has made no big secret of his dissatisfaction with RLEA's operations. If these two men were to get together, and if Maintenance of Way Employes President H. C. Crotty were to join them—well, if that were to happen, RLEA might just as well go out of business. Minus those three men, RLEA would still have a dozen or so members—but all those members would represent only one-fourth (maybe not even that) of all railroad employees. Can Dennis, Luna and perhaps Crotty work together? Maybe so. There was to be a meeting last week in Chicago . . .

Court affirms time-and-mile per-diem plan

The Supreme Court last week affirmed a 1968 ICC order that miles should be considered along with days in the setting of per-diem charges on equipment provided by Western railroads for use by Eastern lines. Scheduled to take effect Oct. 1, 1968, the ICC order was delayed by Eastern roads' appeal to U.S. District Courts in Massachusetts and Nebraska, where the order was upheld, and by appeal to the Supreme Court. The ICC report stemmed from a proceeding that started in 1953 when the Western roads said the per-diem system should be revised in their favor.

What the Supreme Court affirmed is basically a plan that prescribes a "line haul mile" charge according to the cost bracket of a car, the annual reduction in a car's value, the annual repair and maintenance costs of a car, and a total mileage cost. This charge is added to a time charge, set up according to seven age categories, to get the full per-diem charge for use of a car.

Overall, the mileage charges range from a low of $1.47 to a high of $4.60. The time charges range from a low of 63 cents to a high of $10.22. Before the ICC order in 1968, 14 Eastern railroads said the charges would cost them more than $8 million annually.

Take a car that falls in the cost bracket of $7,000 to $9,000. The figure for annual value-reduction would be $96 (40% of the car's annual depreciation). The second figure, for annual repair and maintenance, is $209 (average for three years 1963-65). The third figure, total mileage cost is $305, adding $96 to $209. Finally to determine the charge per line-haul mile, ICC divides $305 by what's called a "line-mile divisor," that is a figure of 15,000 miles as the average line-haul per car 1963-65. Dividing $305 by 15,000 produces a charge per line-haul mile of $2.03—for a car originally worth $7,000 to $9,000.

To get the full per diem charge, say that car is in the zero to five years age bracket. Annual time charge on such a car is set by ICC at $872.36, or $2.03 per day. Add $2.03 and $2.53 and you get a total per diem of $4.56.

Last week's decision marked the second time the Supreme Court faced this per diem question. In 1958 the High Court upheld a U.S. District Court's remanding to ICC of an ICC order that approved the per diem plan originally filed by Western roads in 1953.

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Illustrated above in blue: Pullman-Standard Foam Insulated Car; purple: PS 86′ Hy-Cube; orange: PS 60′ Auto Parts Car; green: PS Mini-Hycube; yellow: PS Waffle-Side Box Car.

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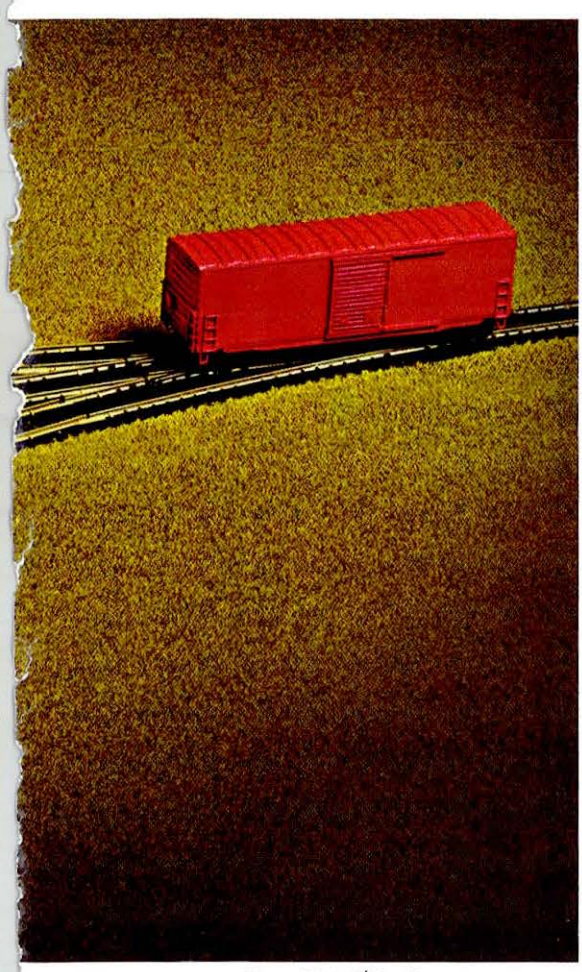

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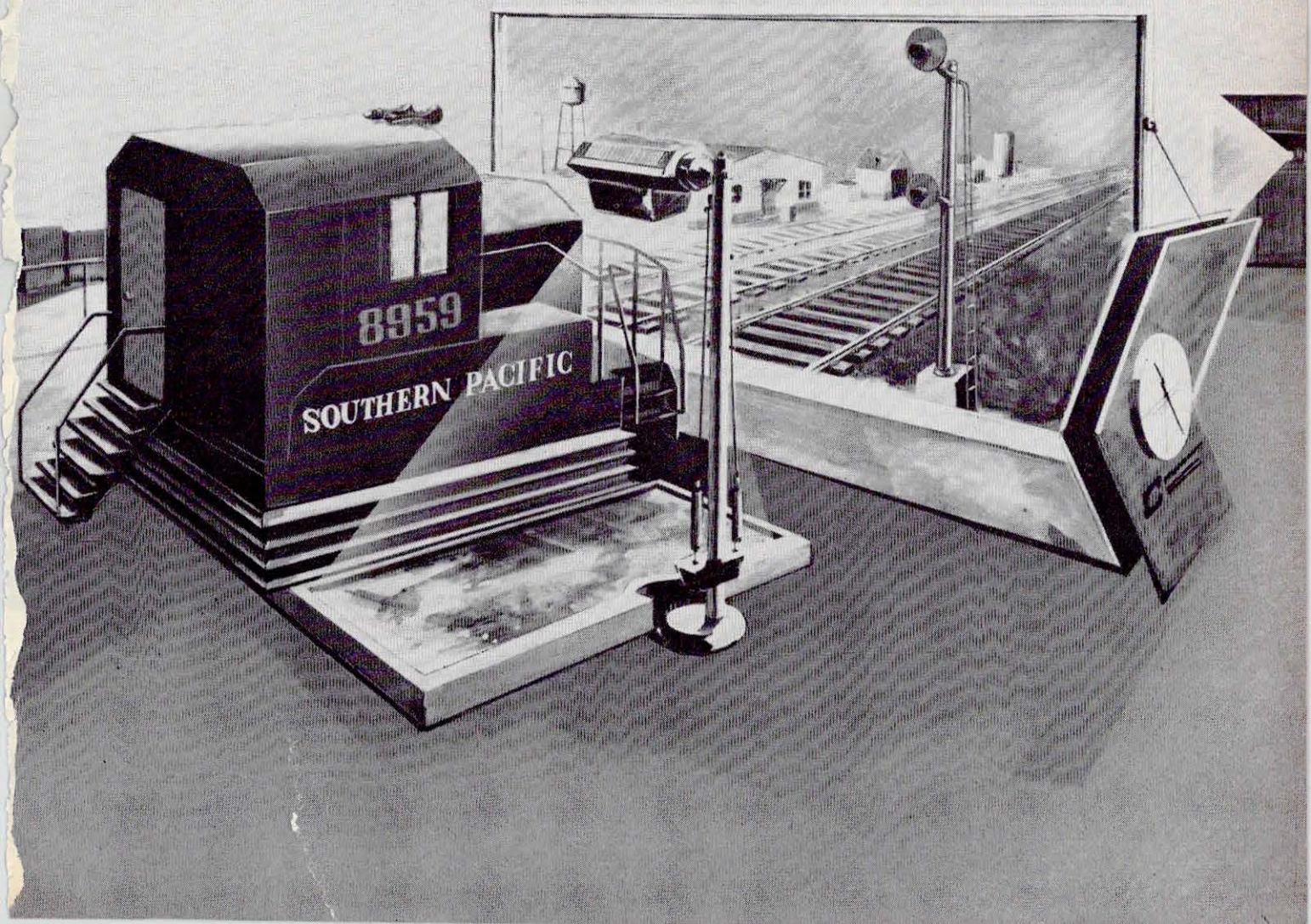

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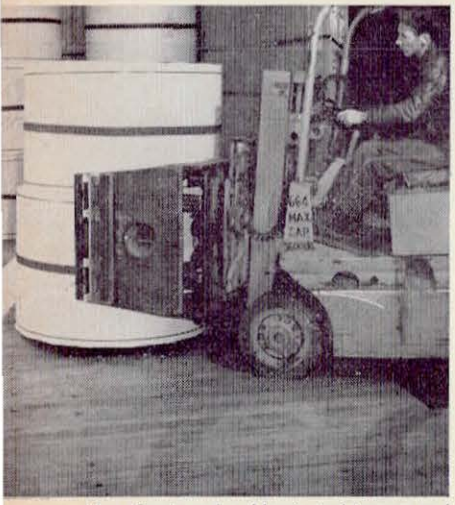
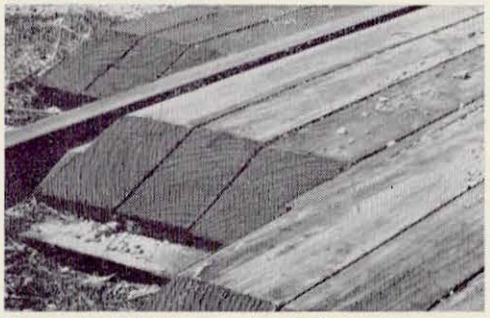
Laminated tongue and groove, 12" wide Alger-Deck was used to build this passenger loading platform of the Chicago Transit Authority . . . pressure-treatment by the Cellon® process provides protection against weathering and decay.



Alger-Deck made of laminated tongue and groove lumber is ideal for boxcar flooring. It's rugged, good looking, non-toxic . . . also resistant to rot, thanks to pressure-treatment by the Cellon® process.



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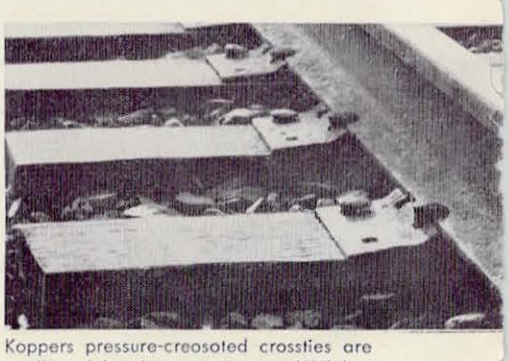

Koppers pressure-creosoted crossties are unaffected by decay or insects. Will last for years.

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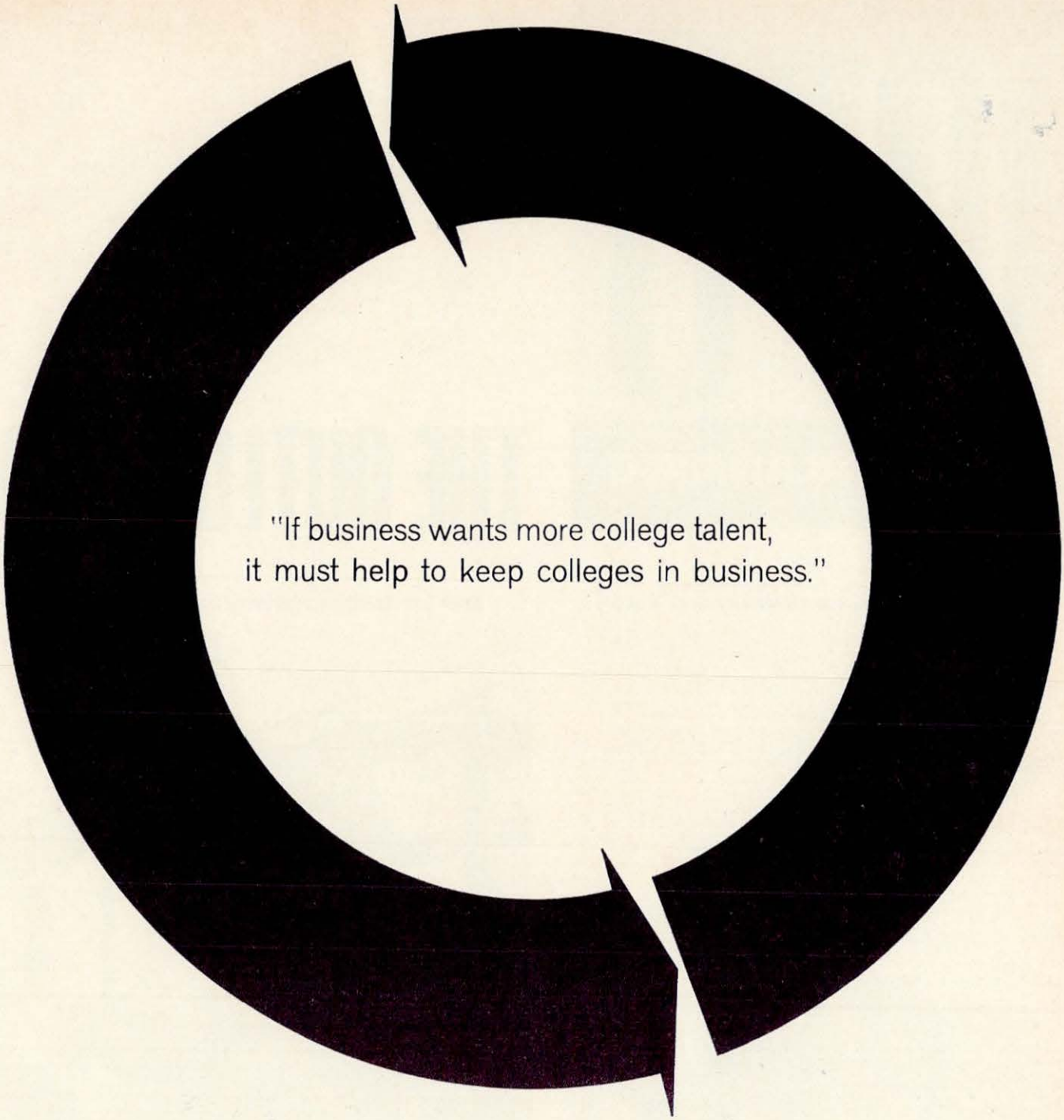

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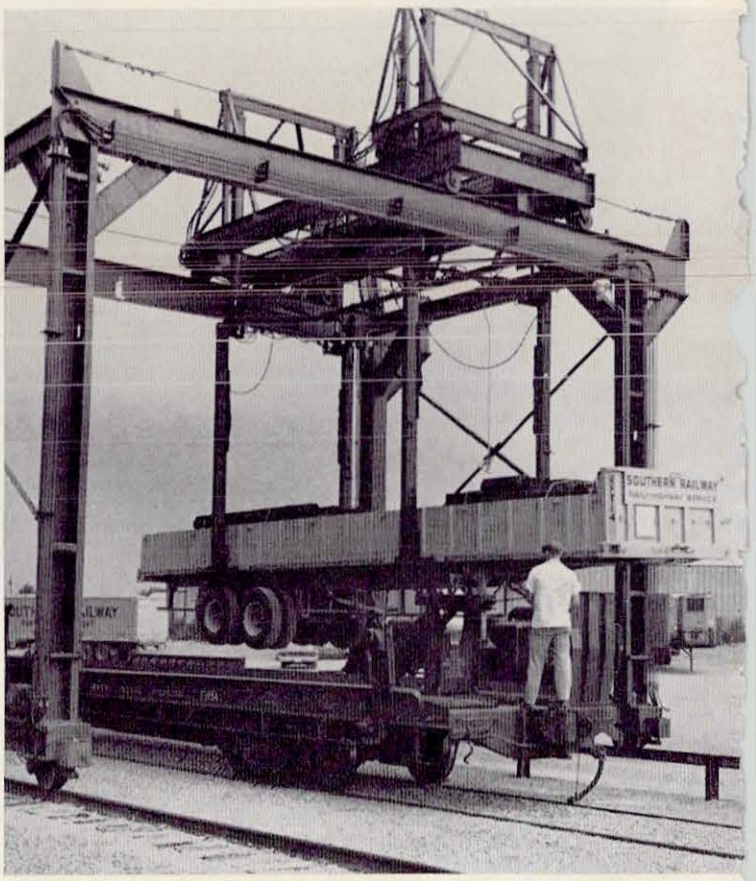
1970 BUDGET PLANNING

THE OUTLOOK FOR

More dollars for roadway and track . . .

Many railroads will stress roadway improvements in 1970.

. . . and for traffic-building fixed facilities . . .



Bottom-lift crane on Southern speeds handling of trailers.

RAILROAD CAPITAL SPENDING

. . . but the bulk of the industry's investment will still go to the power and the equipment to move the freight

Rolling stock purchases next year are expected to at least equal those made in 1969.

BY GUS WELTY, Senior Editor

It was a peculiar year, 1969.

And next year will probably not be much different. Railroad men and industry observers would like to be optimistic about 1970. But forecasting is a risky business. Some of the key factors in the '70 outlook are beyond the industry's power to control. Others can be steered by industry action or inaction—but only in part.

● **Yesterday and today.**—At this time last year, Railway Age took soundings on 1969—and came up with a half-dozen areas of rather basic uncertainty. A year has passed—and this is what has happened to the main worries of 12 months ago:

—In late '68, a new Administration was preparing to move into Washington. Power would be split, beginning in January 1969, between the White House and Capitol Hill. What would this mean? What kind of change in transportation outlook might be expected? Today, the questions are still there. The Administration has shown itself sympathetic to urban mass transit needs. The Congress has involved itself in a multitude of railroad-oriented investigations. There has been much talk in government about railroad and transportation needs. But there has been precious-little action in most areas.

—One of late-1968's problems that was resolved was the problem of Ex Parte 259, the general freight-rate case then pending. But today, there's still a freight-rate question pending. And railroad economic forecasts for 1970 will be hard to make until the new case, Ex Parte 262, is settled.

AS RAILROADS CLOSE OUT THE '60s:

The revenue/expense squeeze puts pressure on the bottom line

Total operating revenues	
1968—First quarter	$2,611,000,000
Second quarter	2,758,000,000
Third quarter	2,706,000,000
Fourth quarter	2,780,000,000
1969—First quarter	2,740,000,000
Second quarter	2,915,000,000
Third quarter*	2,836,000,000

Total operating expenses	
1968—First quarter	$2,080,000,000
Second quarter	2,131,000,000
Third quarter	2,172,000,000
Fourth quarter	2,196,000,000
1969—First quarter	2,175,000,000
Second quarter	2,249,000,000
Third quarter*	2,274,000,000

—Railroad men a year ago were wondering if investment funds would become more readily available, and at a reasonable price. The wonder is still there, in late 1969. Added to it is concern about tax policies.

—There was talk, November 1968, of de-escalating the war in Vietnam, and questions were being raised about effects upon the economy. Here, there has been some movement. There has been some "winding-down" (to use the now-popular term). But the economic-effect questions remain.

—Industry observers thought, a year ago, that 1969 might bring a clarification of the railroad merger movement. They thought wrong. Burlington Northern awaits an "aye" or "nay" from the U.S. Supreme Court; Norfolk & Western/Chesapeake & Ohio remains an open case; and the complex Rock Island case, which had been closed, has now been re-opened.

—Finally, in a mood of introspection, railroad men were hoping that they could improve internal conditions in '69, to provide a united front on matters of industry interest and to provide better inter-road coordination of actual operations. On this, the industry hit paydirt. Nobody is shouting "Bonanza," not yet. But significant operating improvements have been made this year, and there is every hope that more are coming.

● **Not much change, but . . .**—That was last year's list of questions. In large part, it can also serve as this year's—with the addition of one item: What kind of settlements can be expected in new contract negotiations with organizations representing virtually all of the industry's unionized employees?

This could turn out to be the most critical question of all. It is no secret that some in labor think they were burned the last time around. Settlements which they regarded as adequate at the time they were made, were viewed as less than satisfactory as inflation rose at increasing annual rates. With one exception, labor's demands this time look less extreme than they have been in the past. Major unions are going for annual increases of 15% and 12%, the former for two years, the latter for three. They also want the protection of cost-of-living escalator clauses.

Even though initial demands have been scaled down from the 20% or 25% being proposed a few years ago, nobody interprets this to mean the organizations will be any easier to deal with. On the contrary, with inflation as yet unchecked and with substantial settlements being reached in certain other industries, rail unions can be counted on to stay tough.

Is trouble imminent?

Some further indication of labor's mood may come in a matter of days. First, the year-old shopcraft wage case remains unsettled. If no agreement is reached, there could be trouble early in December. Second, the National Mediation Board has closed its file on the fireman-manning dispute. And the 30-day, post-closing no-action period on that one will also expire early next month.

● **What plans and what prospects?**—However difficult the task, though, plans must be laid—and railroads have been laying them. All a planner can use are "best-available" estimates—and at the moment, the estimates look like this:

—Rail freight traffic volumes will be up slightly, in the neighborhood of a few percentage points. Revenues will show a somewhat greater increase, if requested rate boosts are granted and applied broadly. Perhaps significantly, there seems to be no great fear of traffic diversion.

—Industry experts are at sixes and sevens, in more ways than one, in trying to forecast '70 earnings. Inflation has climbed to an annual rate of 6%-plus. Recent industrial wage settlements have averaged between 6% and 7%. The freight-rate proposal covers a 6% increase. If traffic shows gains, if rate increases can be applied, if labor agreements can be held in line, if continued progress can be made in the industry's fight against waste, and if the economy does not fall apart, some earnings improvement might be expected. If the "if" factors do not fall together, however, railroads will have a tough time pulling net above the depressed levels of 1967-69.

—Plans for improvement-spending reflect the generally unsettled nature of financial forecasts in the revenue/expense area. Much the same situation existed a year ago. At that time, Railway Age combined equal parts of fact and faith to come up with a projected increase in 1969 capital spending. Despite all the old uncertainties and despite the new tax-policy questions raised by the Nixon Administration, an increase did take place. Based on reported freight-car and locomotive acquisitions and on indicated plant improvements, capital-expenditure totals for '69 may be about 30% above the level quoted for 1968. What about 1970? Most major roads are predicting spending decreases at this time—but "at this time" should be emphasized. Final action on tax policy by Congress could bring a swing to the upside. And it may be worth noting that Union Pacific—a company noted for astute money-management—is even now saying this: "We expect our capital expenditures program to approximate $33 million, or 24%, more than current 1969 estimates." If fact and faith can again be applied, an industry-wide projection for next year would point to improvement-spending at or about, or even above, 1969 levels—possibly with a slow start and then a pickup.

● **The tax problem.** It seems certain that Administration and Congressional

Net railway operating income	
1968—First quarter	$148,400,000
Second quarter	209,100,000
Third quarter	139,700,000
Fourth quarter	183,100,000
1969—First quarter	142,100,000
Second quarter	211,500,000
Third quarter*	139,800,000

Net income‡	
1968—First quarter	$112,000,000
Second quarter	165,900,000
Third quarter	107,200,000
Fourth quarter	208,300,000
1969—First quarter	97,600,000
Second quarter	168,000,000
Third quarter*	106,400,000

‡After fixed and other charges
*Preliminary

handling of so-called tax-reform legistation will play a large part in determining how and where railroad dollars are used. Final action on tax matters might not come until early next year. But, there is a possibility that decision could come sooner on provisions directly affecting the industry—if a compromise on the handling of the legislation can be worked out.

In any event, the present situation is this: (1) Repeal of the 7% investment tax credit, with no railroad exemption, seems certain; (2) a House bill would provide accelerated depreciation of rolling stock, not including locomotives, on a seven-year basis; (3) a Senate bill, cleared by the Finance Committee and scheduled for debate possibly this week, would provide a more comprehensive treatment of railroad tax relief. The Senate bill carries Treasury Department approval for these key points:

—Five-year amortization on new rolling stock, including locomotives, acquired after Jan. 1, 1970. Amortization on this basis would be available to railroads and their lessors.

—Four-year amortization of unrecovered costs on 1969 equipment acquisitions as of Jan. 1, 1970.

—Eligibility for the fast write-off of equipment ordered before termination of the 7% tax credit and placed in service in 1970.

—Allowance as an expense item of cost of repair to existing rolling stock, where the cost does not exceed 20% of the unit's original cost.

—Elective amortization of grading and tunnel bores on a 50-year life.

The Senate bill also provides that "on Jan. 1, 1973, the Secretary of the Treasury, after consultation with the Secretary of Transportation, will promulgate regulations prescribing the particular class of cars which are not in short supply. This determination will preclude that class of car from the amortization write-off." Amortization privileges, under the Senate measure, would be limited to property placed in service before January 1975.

Tax-credit questions

Railroad men raised a couple of questions. One concerns the final treatment of tax-credit carry-forward if the credit itself is repealed. Another concerns the long-range benefits of the tax credit as opposed to a fast write-off.

● **Who's planning what, and how much?** As for actual spending plans, as now contemplated:

—A few roads, Norfolk & Western, Great Northern and Rock Island among them, are looking for 1970 expenditures at about the same level as in '69. Frisco will be down slightly from this year's level but, President R. C. Grayson points out, that is because locomotives originally scheduled for 1970 delivery are coming on the property this year.

—A few other roads, UP and Seaboard Coast Line included, see increases in spending. UP's $33-million increase, says President Edd H. Bailey, "will be about evenly apportioned among power, equipment and road property." SCL President W. T. Rice says his road's 1970 program "is still indefinite. . . . At the present time, however, we expect our outlays for fixed plant will exceed those of 1969, and we also anticipate greater expenditures for power and equipment."

—Shifts in emphasis get a nod in certain quarters. Milwaukee President C. E. Crippen says "no decision has been reached on the power/equipment portion of our 1970 capital-improvement budget—but the roadway-improvement and other portions of the '70 budget are likely to run about 10% higher than 1969 expenditures." Somewhat similar thoughts come from Chicago & North Western President Larry S. Provo: "If anything, our emphasis in 1970 will be more fixed-plant improvements than it has been in prior years." Over-all, C&NW spending will be down, and so the change in "emphasis" may be only relative. But, Provo points out, "it should be noted that our [total] 1969 budget was the largest in our history and, proportionately, was probably the largest of any railroad in the country." Despite reductions in power/equipment spending, he adds, North Western plans to acquire more than 400 covered hopper cars and late in 1970 "we will probably begin a program to replace our suburban locomotives with new units." A reverse shift in spending strength may be put into effect by Western Pacific. Says President M. M. Christy: "Total capital expenditures will very likely be below 1969 levels. Equipment purchases will be somewhat higher, but this will be more than offset by a reduction in roadway expenditures."

—Several roads may be cutting back somewhat. But the cutbacks will be relative, in comparison with record-high spending levels. Two good examples: Southern Pacific and Illinois Central.

When all plans are complete and all figures added up, SP will probably show a lower figure for '70. But, as President B. F. Biaggini notes, "1969 capital programs are the largest in our history. with about $200 million being invested in railroad equipment and property alone." Illinois Central, at this point, plans capital improvements with a price tag in excess of $78 million. If all plans get the necessary approvals, says IC Chairman W. B. Johnson, "this would be the second-largest capital budget in IC's history. Equipment spending would be increased somewhat over the level of the past two years, to a total of almost $56 million." IC will also step-up spending for maintenance-of-way equipment and, says Johnson, "We're contemplating the heaviest rail program we have had in recent years."

—Major cutbacks are in store for timore & Ohio, Erie Lackawanna and such roads as Chesapeake & Ohio/Bal-

SPENDING FOR SECOND HALF '69 WILL BE UP 40%

Northern Pacific. C&O/B&O President Gregory S. DeVine says 1970 spending "will be down substantially from the $155 million programmed for 1969. This reduction reflects increasingly high interest rates and equipment costs, as well as current expectations that 1970 traffic levels will show little or no growth from those experienced in 1969." EL also anticipates a substantial cut. But, says Chairman J. P. Fishwick, "We are delaying a decision on our plans until we see what develops with respect to the application for a rate increase, current labor negotiations and business during the fourth quarter." And on NP, President Louis W. Menk sees total 1970 spending "significantly less than in 1969. The major reductions will be in our budget for road and general."

—Unusual circumstances are affecting planning in a few specific instances. The prospect of an early-1970 Supreme Court decision on Burlington Northern, for example, forces the BN roads to build flexibility into their plans. As Burlington President William J. Quinn puts it, "We're reasonably optimistic that Supreme Court confirmation of our merger will be received . . . and perhaps early in 1970 we will have a new set of circumstances, new problems and a new budget. Understandably, we are not moving very fast with plans for any major expenditure programs not now under way."

● **Plans can change.** In any enterprise as complex as a railroad, plans must be written well in advance of execution. At the same time, railroads are showing an increasing capability to adjust to circumstances, and quickly. Perhaps there's no better evidence of that than the 1969 record on improvement spending. In the first six months of this year, expenditures were up by about 10% from 1968 levels. But, from present indications, total spending for the second half of '69 will be up by about 40%. This is a tribute to flexibility. And as Burlington's Bill Quinn points out, "Such an increase in the face of the continuing cost squeeze on earnings and the very high price of borrowed money must be regarded as a remarkable effort by the industry."

In any look at 1970, a few special situations have to be considered. One of these is Penn Central—a giant, perhaps the most "visible" railroad in the country, and a road that has had its problems in making merger work. This year, PC will be at the top in capital-improvement spending, with estimates going as high as $225 million. Next year, the total will be lower, but over the next six months PC will still be investing up to $25 million for motive power and up to $30 million for freight cars.

● **Improvements coming.** It's in the operating area, however, that Penn Central is looking for significant improvement. In a look back and a look ahead, PC sees things this way:

"When the merger became effective, on Feb. 1, 1968, it was decided to expedite the enormous task of unifying the two former railroads even though this entailed heavy start-up expenses. Many of the most costly and extensive unification projects already have been completed and it's anticipated that full merger benefits will be realized in less than five years, instead of the eight years originally programmed."

Despite all of the capital projects involved, however, PC people will say that the road "has barely begun to streamline its railroad system, both for improved efficiency and for tremendous economies. A study has been completed which indicates that a very substantial amount of trackage could be eliminated by reducing double track to single in some areas and by trimming away the deadwood of seldom-used branch lines. This would mean many millions of dollars in salvage, reduction of taxes and savings on maintenance and operating costs."

Big equipment program

Meanwhile, PC is making progress in a comprehensive equipment program: "Per-diem expenses are being lowered by upgrading of cars and by improvement in car movement and car utilization. Since last May, nearly 10,000 freight cars have been rehabilitated and returned to service. The bad-order ratio has been reduced from 9.2% to 5.9%. As a result of several operating programs, PC foresees a reduction of $4 million in per-diem costs for the last half of 1969, and we expect even greater savings during 1970."

For PC and for every other road, 1970 will be another of those years when cost control becomes vital. The problem is that for many lines the big opportunities for savings are long gone. Now, it's a matter of picking up the so-called nickel-and-dime economies. They add up, it's true. But they're not that easy to find and, often, they're not easy to implement. If they were, the requested rate increase would not be that important. Almost to a man, however, top railroad officers are hinging 1970 results on what happens in the rate case.

● **We will fight . . .**" C&NW's Larry Provo lays it on the line, so far as the cost situation is concerned: "We will fight the substantial increases in operating expenses projected for '70 through an intensive industrial-engineering program and a continuing re-examination of all the services we render . . . . We will do everything possible to eliminate loss-producing services which drain the resources of the company." As for 1970 budgeting for operating expenses, Provo puts it this way: "Those expenditures that produce the greatest immediate benefits to transportation operations and service in particular will receive the highest priorities. In other words, those that have a very quick short-term benefit will be accomplished first."

Cost-concerns produce these comments from elsewhere in the industry:

—From WP's Myron Christy: "We hope to offset a part of this operating-expense increase through rigid budgetary controls, as well as through continuing expenditures for communications facilities, shop consolidations, track repair machines, computer applications and clerical force consolidations. How much of this we will be able to do is still under study.

—From Burlington's Bill Quinn: "We've kept a watchful eye on expenses and have eliminated about all the personnel we can reasonably do without. It's doubtful, therefore, if many more economies in employment expense can be made."

—From IC's Bill Johnson: "We plan to offset to some extent the substantial increases in operating expense by additional revenues from an accelerated sales effort strongly supported by rational market analysis, and from increased availability of equipment through purchases and better utilization of existing equipment. We will continue our attempts to increase efficiency."

—From UP's Edd Bailey: "Inflationary pressures will require significant innovations in methods and procedures to improve the productivity of our fleet, our personnel and our capital. With full implementation of our COIN operating information system and availability of better management cost information, we will achieve an improvement in our operating efficiency. But these improvements alone will not be adequate to absorb completely the cost increases ahead, and approval of the proposed freight-rate increases is essential to fulfillment of our 1970 objectives."

—From top management at Santa Fe: "We plan to fight expense increases by finding more efficient ways of operating, better types of equipment, better car distribution techniques, improved car utilization, better power utilization and generally increased productivity."

—From C&O/B&O's Greg DeVine: "For many years, our various departments have pushed an aggressive cost-reduction effort, and they continue to seek new methods of providing more efficient and economical ways of producing service. Our efforts next year will continue along such lines."

—From Rock Island Chairman and President Jervis Langdon, Jr.: "We plan to cope with projected expense increases through improved efficiency, increased utilization of equipment, intensified sales effort and further improvements in cost-control efforts, with all of these augmented by the 6% freight-rate increase we are confident the ICC will approve."

● **Operations are improving.** Few chief executives make precise or direct comments bearing on industry-wide, intra-industry efforts to promote efficiency and improve service. But the efforts are there, and there's an underlying feeling of hope that they can proceed. From an operating standpoint, certainly, the past couple of years has seen significant change in technique—more pre-blocking, for example, and more run-through of power. Several roads have opened new classification yards in the late 1960s, several others have openings scheduled for 1970—and these more efficient facilities will begin to make their presence felt.

In the additions-and-betterments area for '70, it's not likely that any real shifts in priorities will take place on any broad scale. You could pretty well sum up industry feeling in N&W President Herman H. Pevler's comment: "We don't anticipate any change in emphasis between equipment and plant expenditures; a substantial portion of our expenditures will be allocated to equipment acquisitions."

● **Figuring the figures.** Present estimates—taking into account favorable tax and rate action—indicate equipment order/delivery activity at least equal to that of 1969, which will see freight car orders in the 75,000-80,000 range and locomotive installations pushing toward the 1,000 mark.

Most observers also see increases in improving communications capabilities. And, as one observer notes, "You can bet that safety-related projects will be getting a long and hard and detailed look, whether they involve the plant or equipment."

The year just ending has been termed a year without much form or shape. The year soon to begin probably won't start out with any clearer definition. It will be another year that puts a premium on quality in railroad management—and one of these days, with a break or two along the way, that quality will really start paying off, not just in survival but in actual and absolute growth. ■

LUTHER MILLER

AS THE EDITOR SEES IT

CRITICS OF HIGHWAYS, grumbles Federal Highway Administrator F. C. Turner, are indulging in a hit-or-myth exercise in which few hits are scored and many myths are perpetuated. Mr. Turner undertook to explode some of these myths in a recent speech in Philadelphia. If he sounded more like a cheerleader at a concrete-and-rubber pep rally than a responsible Cabinet officer genuinely concerned with helping to achieve a balanced transportation system, that is not entirely surprising. His audience was the American Association of State Highway Officials, whose interest in balanced transportation may fairly be compared to the interest an alcoholic takes in the WCTU.

MYTH NO. 1, in Mr. Turner's view, is that a "highway lobby" exists at all—except that "lobby" which consists of 200 million Americans. "This is the true 'highway lobby' and I personally believe it is a true and excellent example of how a democracy such as ours was intended by our founding forefathers to work." (DOT Secretary Volpe has taken a similar position. One wonders why lobbying, which is a perfectly respectable Washington institution, is such a dirty word at DOT. We do not hesitate to say that railroads maintain a lobbying effort; we are only sorry to say that it is not as rich as the highway lobby. But then, the pickings are not as rich, either—the Federal Highway Administration has a budget of $5 billion; the Federal Railroad Administration's is around $20 million.) Anyway, having enlisted the support of George Washington and Ben Franklin on the side of urban freeways, Mr. Turner goes on to some carefully-chosen specifics.

GRANTING THAT RAILS have a place in the transportation picture, Mr. Turner suggests that this is a very small and highly specialized place. Rail transit can do a fine job, he concedes, in areas of high population density but "the bus will probably continue to be the only form of mass transit in at least 95% of our urban areas of 50,000 or more population." Then, to support his thesis that most transportation problems must be resolved in concrete terms, he cites a mass of statistics—*all dealing with the movement of people.*

MR. TURNER MYTHS THE MARK, and badly, by failing to cite any statistics on freight movement. He fails to say that 40% of all ton-miles are still performed by rails, at one-fifth the cost of highways. This omission would be easy to understand in a talk by a highway lobbyist. It is disquieting coming from one of the most powerful officials in the Federal government.

SPECIAL REPORT ON RPI:

Suppliers size up the 70s

SPENDING LEVELS must — and will —

In Chicago this week, 1,100 railway suppliers and their guests—rail executives from across the nation—will gather at the Conrad Hilton Hotel for the annual dinner and prize-giving of the Railway Progress Institute. This red-carpet, black-tie evening is, for many railroad men, their main exposure to the work of the suppliers' trade association. Actually, the annual dinner is only the climax of a busy year during which RPI works hard, effectively (and often behind the scenes) to help shape the future of railroading. To find out how suppliers view the future—immediate and long-range—and what they are doing to try to improve the picture, Railway Age Editor Luther Miller taped a three-way interview in Columbus, Ohio, with RPI Chairman J. W. Henderson, Jr. (president of Buckeye International); Vice Chairman F. L. Bredimus (president of Dresser Transportation Equipment Division); and RPI President Nils A. Lennartson.

Q. What is the biggest single problem confronting the railway supply industry today, in your view?

HENDERSON: I think that Railway Age in its Tomorrow's Railroads series has dramatically identified the major problem facing all of us in the railroad industry today. It is the need for a massive infusion of capital. And one thing is certain: Railroad earnings —less than 2½% on investment—do not begin to generate the needed capital. If it were not for the 7% investment tax credit, the railroads would probably be spending half as much as they are today on capital equipment; and expenditures today are at the bare minimum required to sustain the industry. We must not only protect present spending levels; we must substantially raise these levels.

Q. Assuming that we are able to obtain some tax incentives for railroads, what would you say prospects are for capital spending in 1970?

HENDERSON: I think we'll do well if the railroads are able to invest in 1970 at the level they have invested in 1969. You must understand that the railroads have this year placed a great number of orders in anticipation of possible repeal of the tax credit. For example, we received a great flurry of orders in May, soon after the President announced that he would seek repeal of the tax credit. But now the rate of ordering has diminished, in view of the heavy ordering earlier. I think the railroads recognize the great need for continued modernization and in the long run they are going to have to invest at levels above those of this year.

Q. Railroad capital investment in the last ten years has fluctuated widely between $1 billion and $2 billion. What in your view should railroads be spending to stay competitive?

HENDERSON: The Brookings Institution in 1959, in terms of dollars of that era, said that at least $2 billion a year ought to be spent for freight equipment alone. I would think that today a minimum figure would be in the neighborhood of $2 billion to $2½ billion a year.

BREDIMUS: I should think that $3 billion a year would be required for modernization to cover all aspects—track and structures and communications and signaling, as well as rolling stock. I feel that 1970 should be a comparatively good year—I think spending should be slightly increased over 1969, with greater emphasis being placed upon right of way. The safety problem is one that is of great concern to all of us and will require very definite and precipitate action. This could very likely move the emphasis toward greater spending in track improvements.

LENNARTSON: Frank Barnett, chairman of the Union Pacific, has said that we need considerably in excess of $2 billion in capital spending, and Bill

ised, agree RPI's J. W. Henderson, F. S. Bredimus and Nils A. Lennartson.

Railway Age photos by Maurice Mates

Johnson, of Illinois Central Industries, has said that we need to spend at least $1½ billion a year on roadbed alone, and he would consider $3 billion a year for total spending as minimal.

Q. How can we achieve this?

HENDERSON: Given today's restrictive regulation, and given the rising labor costs and the problems that railroads are having trying to improve car utilization with the latest and most sophisticated electronic devices, we don't see any sudden improvement in earnings. If improvement occurs, it's going to occur gradually, because labor costs are going to continue to rise, and we must remember that labor costs represent an inordinate share of the total cost of doing business in the railroad industry—close to 60%. So even with the continuing improvement in railroad operations, we don't see any upsurge in earnings coming quickly. This means that we have to face up to other methods of financing. And other forms of financing almost immediately require some form of government funds. The question that has so greatly bothered the railroad industry is, can they obtain government funds without getting government guidelines or controls? The government has generously helped other modes of transportation. Look at the highway industry. We are talking about something like $75 billion for a whole new network of highways. We're talking about airports, where 50% of funds for airport construction can come from government. And just look at the hundreds of millions expended by the Corps of Engineers on improving the waterways. And then look at the railroad industry. The only thing resembling Federal aid here is the trickle of money that has gone into Northeast Corridor passenger service (and while this is generally thought to be a Federal project, the Penn Central has actually spent five times as much money there as the Federal government has spent). So we've got to turn to the government for a feasible, acceptable means of financing.

Q. What means would be feasible and acceptable?

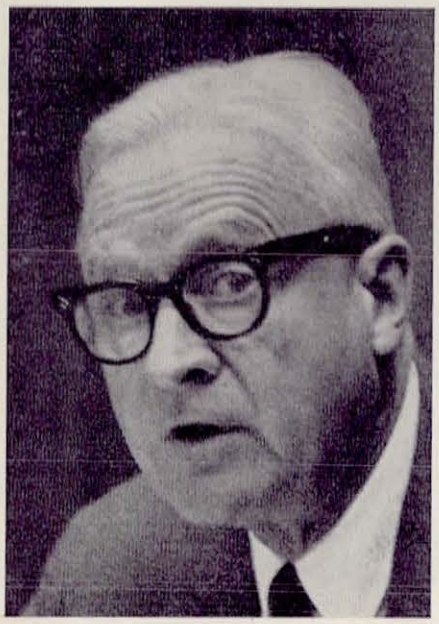
HENDERSON: This is a very difficult question, and one that remains to be worked out. Whenever a suggestion is made to railroad presidents, it carries —for many of them—the fear of government control. So there is a cautious approach to any proposal. But while we haven't found the answers, we are beginning to ask the questions. For example, is it possible for the government to provide funds at low cost—say 2% or 3%—to the industry with the understanding that this money could be paid back without controls? Or should the government itself be the purchaser of rolling stock, and lease it to the industry? Or—a third possibility —can some form of tax be imposed that could be used much as the user taxes on highways are used? These ideas have been kicked around. And we're pleased to note that the Department of Transportation, and specifically Reginald Whitman, the Federal Railroad Administrator, has been actively pursuing ideas which may be acceptable. Maybe the greatest thing that we can accomplish in this interview is to bring to the attention of all suppliers and railroad people that the DOT *is* looking for ideas.

LENNARTSON: As you know, the Federal Railroad Administrator has an assignment from the Secretary of Transportation to report to him by Jan. 1 on what should be done to help the railroads. We are working very actively with DOT on this, along with the railroads themselves and the AAR.

BREDIMUS: We talk about getting additional funds from the government. At the same time, there are other things that can be done that would help solve very definite problems such as overregulation. We feel, for example, that railroads must have greater flexibility in establishing rates so as to meet their increased costs as they arise. There's been a great deal of sluggishness in allowing rate changes after the increased costs are already in effect. We feel, too, that something must be done to expedite those mergers that normally, by proper guidelines, are considered as constructive. Also—and importantly—the railroads should be given more freedom to diversify into other modes of transportation as present restrictions seem to be too rigid. In the area of labor, we would hope that the brotherhoods will become more enlightened in their own self-interest. In the absence of this, it

"We've got to turn to the government for a feasible, acceptable means of financing"

J. W. Henderson, Jr.



"I feel that 1970 should be a comparatively good year . . . with greater emphasis being placed upon right of way"

F. W. Bredimus

"Our only mission is to support whatever helps our railroad friends and the future of the railroad industry"

Nils A. Lennartson

is certainly in the enlightened self-interest of the government—as it represents the public—to move constructively and forcefully in this area.

HENDERSON: I think it is important to emphasize, as Frank Bredimus has done, that Federal funds alone aren't the whole answer to the railroads' problems. There are long-standing inequities whose correction will be as good as money in the bank. When railroads are given a fair chance to compete, when they are able to extricate themselves from their labor difficulties, they can make it on their own.

BREDIMUS: Another great problem is that of passenger trains. The railroads should not be forced to bear the burden of passenger train deficits in order to satisfy a diminishing demand. Northeast corridor service is one thing. But long intercity hauls are another. My considered opinion is that this kind of service cannot continue and cannot be expected to continue without some definite government subsidy.

LENNARTSON: In the area of tax relief, we are hopeful to continue to try to get Congressional approval of railroad tax relief in technical areas already approved by the Senate Finance Committee as a part of the tax reform bill. These amendments, proposed by the Treasury to the Senate Finance Committee, were worked out by representatives of the railroads, the AAR and the Railway Progress Institute, working with key people in the Treasury Department. As you know, these Treasury proposals, intended as an offset to the eventual repeal of the 7% tax credit, will enable railroads and lessors to railroads to take a five year amortization on all new rolling stock, including locomotives, and also allow four year amortization of the unrecovered costs of equipment acquired in 1969. The Committee also approved amortization of grading and tunneling costs on a 50 year life basis, a proposal for which railroads have been fighting for years. The Committee also voted to allow the cost of repairs to rolling stock as an expense without question where such cost does not exceed 20% of the original cost of the unit. RPI, working with its railroad friends, is continuing efforts to help get the Committee-approved actions voted by the full Senate and then agreed to by the House conferees. We are also continuing to work with Treasury and Congressional people to explore other technical areas in which tax relief for our capital-starved railroads may be warranted.

Q. To win all of these things, you must of course first convince the public, and the government, that railroads *are* in financial distress and that what happens to them is important to the nation . . .

LENNARTSON: Let's remember that the Department of Transportation itself has said that by 1975 this country will have 1.063 trillion rail ton-miles a year—that's a 42% increase from this year. And also remember that by 1980, the gross national product of this country will be 2 trillion dollars, or doubled in a decade. The Federal Railroad Administrator, Reg Whitman, has commented that if all the freight trains in this country stopped tomorrow, the other modes of transportation would be hard put to pick up more than 10% of the total freight involved.

HENDERSON: I think this is the key point—that the highway system that we enjoy today has been coming into its own in the last 4 or 5 or 6 years. The trucking industry has had the benefit of this. But as we see the congestion on the highways increase, we're going to find a trend to other modes of transportation, purely because of capacity problems.

BREDIMUS: Which all adds up to this: Without a viable railroad system —which we cannot continue to have in our present financial circumstances and

(Continued on page 40)

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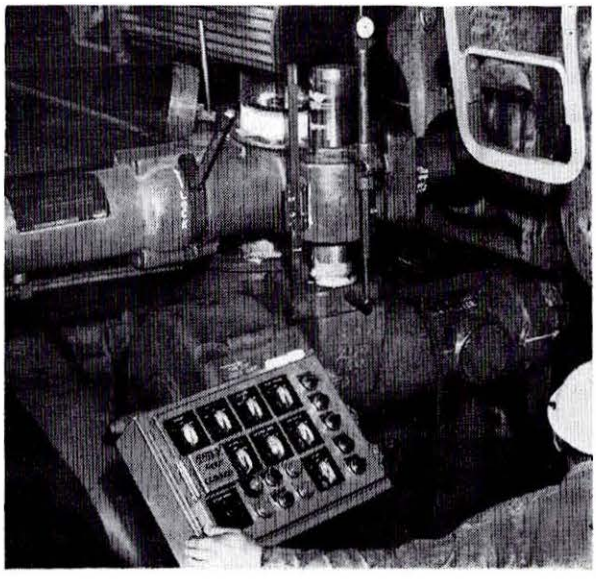

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Let the Midnight Special
Shine her light on me.
Oh let the Midnight Special
Shine her ever lovin' light on me.
Yonder comes Miss Judy.
How in the world do you know?
I know her by her apron and
The dress she wore,
Umbrella on her shoulder,
Piece of paper in her hand.
She's goin' to the gov-nor,
Says "I want my man."
Oh let the Midnight Special
Shine her light on me.
Oh let the Midnight Special
Shine her ever lovin' light on me.

Well Judy said she loved me,
But I believe she told a lie,
'Cause she hasn't been to see me
Since the Fourth of July.
She brought me little coffee,
She brought me little tea,
She brought me nearly everything
'Cept the thing I need.
Oh let the Midnight Special
Shine her light on me.
Oh let the Midnight Special
Shine her ever lovin' light on me.
Oh let the Midnight Special
Shine her light on me.
Oh let the Midnight Special
Shine her ever lovin' light on me.

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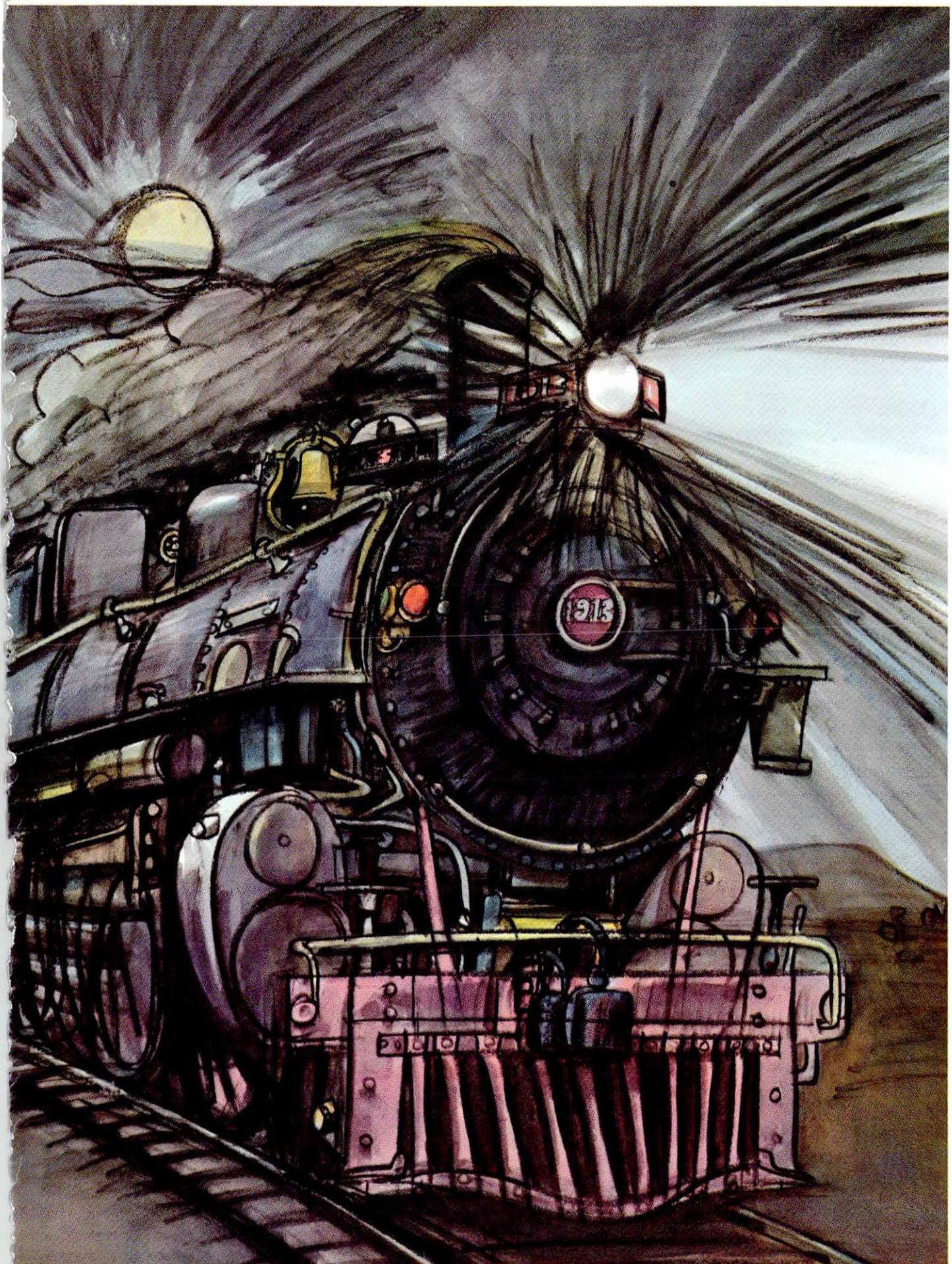

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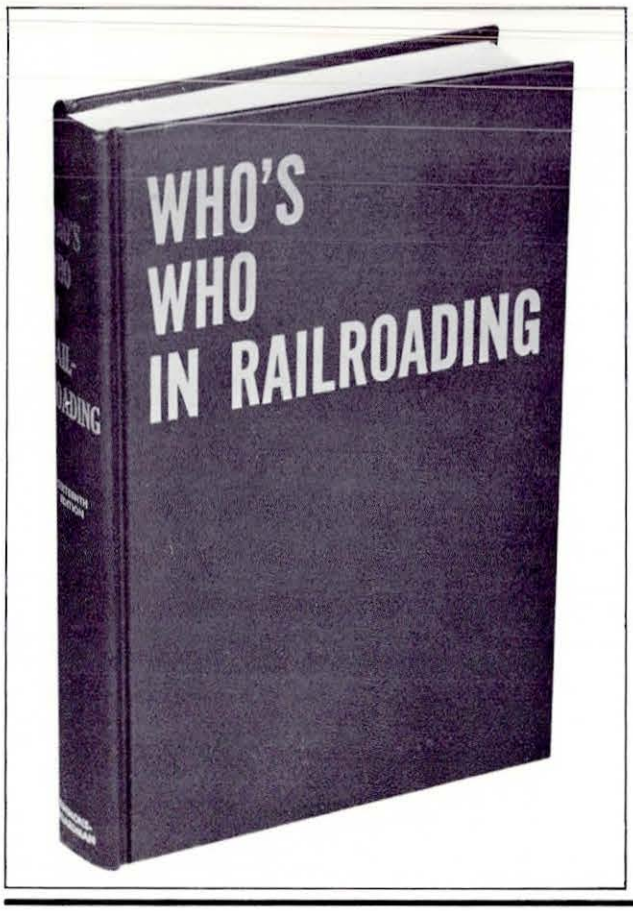

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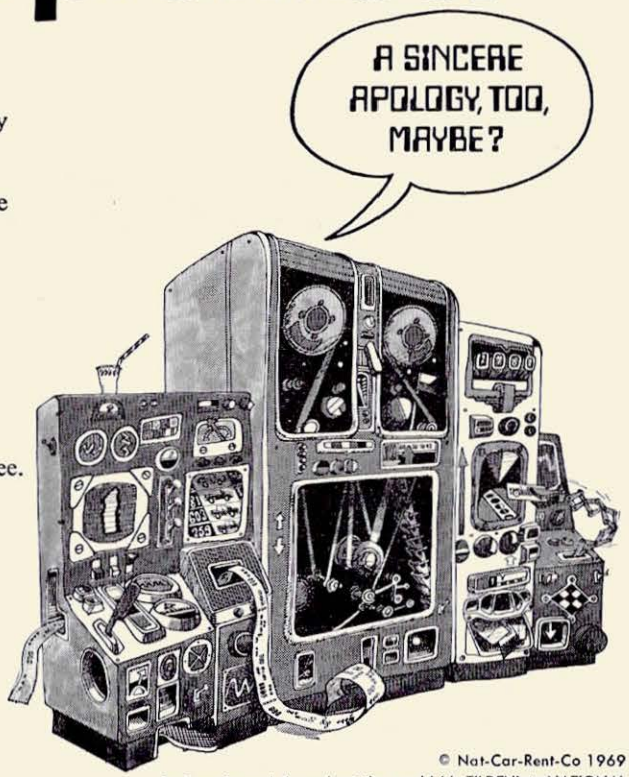

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PARTS REPLACEMENT AGREEMENT

THIS AGREEMENT is between THE TIMKEN ROLLER BEARING COMPANY (hereinafter called the "Company") and _____ (hereinafter called the "Customer"), and is made effective _____ 19___.

In consideration of the purchase by the Customer, on or after the effective date of this Agreement, of Timken® "AP" bearings, for use on railroad freight car applications, the Company hereby agrees as follows:

1. On any Timken "AP" bearing assembly purchased by the Customer during the term of this Agreement for use on freight car applications, the Company will replace or repair, free of charge other than any applicable inspection or service charge otherwise payable and Customer's portion of transportation, any of the parts specified in paragraph 5 below which, within 84 months of the original date of manufacture etched or stamped on the bearing, are found to be in such condition as to require replacement or repair to comply with the standards set forth in the Roller Bearing Manual of the Association of American Railroads as of January 1, 1969. If cup or cone surfaces show evidence of Brinell or fatigue due to normal wear or loading, to the extent that they are not suitable for continued service under standards set forth in the Roller Bearing Manual, the inspection charge otherwise payable will also be waived. If the Roller Bearing Manual should require, or the Customer should specify, that certain parts of the bearing assembly be replaced when the bearing is reassembled, even though such parts are in good condition, the Customer will be charged for the replacement of such parts.
2. The provisions of paragraph 1 above shall also apply, subject only to the 84 months' limitation, to any Timken "AP" bearings purchased by the Customer prior to the effective date of this Agreement.
3. To qualify for replacement of parts under this Agreement, the following requirements must be met, to the best of the knowledge and belief of the Customer and to the satisfaction of the Company:
   a. The condition requiring replacement must be attributable to the quality of material or workmanship in the manufacture of the bearing, and must not be due to damage from derailment, fire, immersion in or exposure to water.
   b. The complete bearing assembly (less axle end cap assembly) including all parts as removed from the axle for inspection must be forwarded to the Company, f.o.b. Columbus, Ohio, fully assembled, and with suitable packaging and/or blocking to prevent damage in shipment and handling, within 84 months of the original date of manufacture, as specified above, with identification of the Customer by or for whom the bearing is being forwarded.
   c. The bearing assembly must have been in use on a freight car operated and maintained in accordance with loading and other rules and standards of the Association of American Railroads for cars in interchange service.
   d. There must not have been any modifications or alterations of the bearing assembly, unless authorized in writing by the Company, nor any improper repairs or any substitution in the bearing assembly of bearing components made by another manufacturer.
4. Following inspection and repair or replacement of parts in accordance with this Agreement, the complete bearing assembly (less axle end cap assembly) will be returned by the Company to the Customer, f.o.b. Columbus, Ohio, subject to such freight allowances as the Company may from time to time establish applicable to all customers of the same class.
5. The bearing parts which are covered by this Parts Replacement Agreement are the cones, cup, cone spacer, seals, seal wear rings, backing rings and vent fittings. Other parts of the bearing assembly - axle end cap, cap screws, locking plate and lubricant fitting - are covered by the warranty referred to in paragraph 6 below.
6. This Parts Replacement Agreement supplements the warranty set forth in the "Conditions of Acknowledgment and Acceptance of your Purchase Order," under which the bearings were originally sold by the Company to the Customer.
7. Except as provided in paragraph 3d above, this Parts Replacement Agreement will apply where the condition of parts requiring replacement or repair has been found upon inspection either by the Company, or by the Customer or any other person for the Customer prior to the forwarding of the complete bearing assembly to the Company in accordance with paragraph 3b above.
8. In the event of any dispute concerning the qualification of a bearing for replacement of parts under this Agreement, the necessity for replacement or repair of particular parts, or any other question concerning the application of this Agreement, the decision of the Company will be final.
9. This Agreement is for a term of _____ months from and after the effective date, and may be extended for successive periods of twelve (12) months by notice in writing from the Company to the Customer. Following the termination of this Agreement, any bearing assembly to which this Agreement became applicable during its initial term or any extension will continue to be eligible for replacement of parts in accordance with the provisions hereof.

IN WITNESS WHEREOF, the Company has executed and delivered this Agreement to the Customer as of the effective date specified above.

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_____
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Railroad Division
The Timken Roller Bearing Company

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By _____
District Manager, Railroad Division

Only the Timken® "AP" bearing 7-year Parts Replacement Agreement cuts maintenance cost two ways. And has been doing it since April 1.

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Which means you save on normal operating maintenance on every Timken "AP" bearing you purchased since 1962—not just on the "AP" bearings you purchase today.

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Our word is as good as our bearing.

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Circle 16 on coupon page 46

Sizing up the 70s

(Continued from page 28)

with our present methods of operation —our economy faces a most severe problem.

Q. What you're saying is that we're going to have railroads—that we can't do without them. But that brings up the question of who is going to run them. Will it be the private railroad companies or will it be the government?

HENDERSON: I haven't encountered anyone in government—and I certainly haven't talked to anyone in the railroad industry—who sincerely believes that the government can or should run the railroad industry. It has to remain in the hands of private enterprise, and it will if we are given the flexibility in decision making that is required to manage railroads today, and meet the competitive challenges of tomorrow.

BREDIMUS: The fact is that the cost of nationalization to government would be far greater than the cost of these comparatively small measures of relief that we've been talking about.

Q. Railway suppliers obviously have a big stake in all of this. What are the suppliers doing to help the railroads achieve some of these goals?

HENDERSON: In recent years, the Railway Progress Institute has tried to help rebuild the public image of railroads. Billions and billions of dollars have been spent to modernize the railroads, and the story needs to be told. We have found that it's much easier for a supplier to do this, because even though we are close to and dependent upon the railroad industry, nevertheless we have an arm's length situation. I think the public may sometimes be more readily willing to accept our opinions of the railroad industry than they are to take the word of those immediately involved. We have found great acceptance as we have toured the country, putting on over 100 presentations explaining the new railroads as we see them. That program we intend to continue.

BREDIMUS: May I add that these programs are constantly modernized and brought up to date so as to be of timely significance. By telling the story in this way, by constantly updating it, it is quite feasible to cover the same audience more than once, to keep them apprised of what is going on. The audiences we seek are business leaders, civic leaders, shippers and even railroaders themselves. We no longer have to seek out audiences, they seek us out.

RPI TAPING SESSION (conducted by Editor Luther Miller, left), was No. 15 in a series of Golden-Spike-Centennial-Year interviews in which Railway Age has explored the future of railroads with industry and government leaders.

Q. What evidence do you have that this image-building campaign has been successful?

HENDERSON: We can measure that in three ways. One is by the comments of the railroads. They have been totally favorable. Second, is the reaction of the people who have seen these presentations, and who have volunteered their sentiments to us. And third is the increasing understanding by legislators of the railroads and the railroads' role, particularly those who have been exposed to our sessions. We don't find as much lack of knowledge about railroads today as we found two years ago.

LENNARTSON: As we go into these cities and towns, we also get a large amount of news and radio and television coverage, and this leads to grass roots impact. We feature in each presentation what is currently the problem of the day—if it's the fate of the 7% investment tax credit in Congress, well this becomes a news story, and wherever the presentation is being given, it gets a lot of people to know that railroads have a problem that they would not have known about otherwise.

Q. Has RPI's move to Washington accomplished its purposes?

HENDERSON: I think this has been a great thing, primarily for two reasons. One, it put our office in very close proximity to the Association of American Railroads as well as to government officials. On the 7% investment tax credit, the RPI membership has relied heavily on Nils Lennartson's knowledge of government officials, and we have been able to go in and work with the railroad industry in testifying regarding the negative impact of repeal. We have responded rapidly to the time schedules of Congressmen and Senators and Administrators. Equally important, our proximity to the Department of Transportation has meant that we've been able to provide assistance frequently on many issues to people on the railroad side of DOT.

LENNARTSON: And also on the mass transit side—a large number of our members are very interested in that program.

HENDERSON: The DOT, for example, has asked our help and guidance on safety matters. And we have asked member companies to appoint a safety liaison man, who is available for expert testimony to DOT as required, to help formulate safety guidelines.

Q. The railroads, and the mass transit industry, have their own representatives in Washington. Where does the RPI fit into this whole picture?

HENDERSON: I personally feel that RPI can bring a detached, more objective point of view. We can bring an added element of credibility to the case presented by the railroads. The railroads so long have fought their own battles. It's a new ball game when the suppliers also are standing beside the railroad industry.

Q. Is there close liaison between the RPI and the AAR in Washington?

LENNARTSON: There is a very close working relationship. Our only mission

(Continued on page 44)

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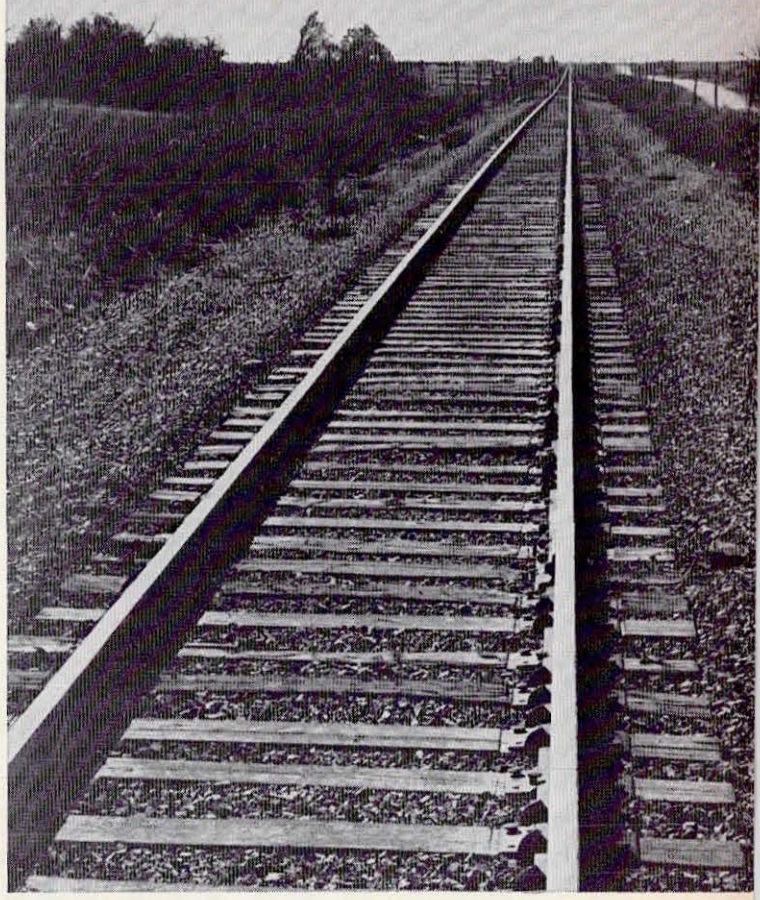

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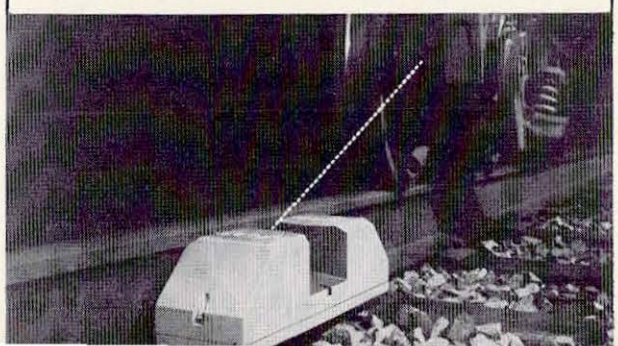

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Circle 29 on coupon page 46

FRANK MALONE

WATCHING WASHINGTON

ICC HAS BACKED DOWN on its order that railroads *must* observe eight car-service rules drafted by AAR for *voluntary* compliance (RA, Sept. 8, p. 12). Nothing more will happen until ICC "further order." Nothing did happen. The first effective date, Oct. 3, was put off to a second date, Nov. 10, which never came. Don't hold your breath for a third date, which may never come. In its terse statement of postponement, ICC gives one reason: "Upon consideration of the record." That record amounted to a deluge of opposing statements from both carriers and customers.

THE PIVOT OF RAIL OPPOSITION was the question of voluntary vs. mandatory observance of rules designed to preserve flexibility. When AAR in 1967 revised some of its car-service rules, it still left them in the free frame that always had prevailed. In the recent proceeding, AAR repeated: "The expression of these flexible standards as part of the car-service rules will provide an effective self-policing tool" to correct "instances of inefficient utilization, attributable to neglect, fault or lack of diligence on the part of the carriers."

VOLUNTARY OBSERVANCE HAD FAILED, ICC had said, to stimulate car supply. Besides challenging that accusation as based on poor evidence, AAR said forced car-service would mean rigid control of the railroad-shipper relationship. And that, rails added, would impose a "significant cost burden on both." Shippers apparently agreed, as shown by statements of such groups as the National Industrial Traffic League and the American Iron and Steel Institute. Rails conceded that it is proper for ICC to issue limited car-service orders as it does now, to meet specific situations. But blanket mandatory regulation would cause more problems than it would cure and would saddle the industry with an "inflexible concept of railroading by the numbers," AAR said.

THE ICC RETREAT was somewhat coincidental with a Supreme Court endorsement of what was viewed as an alternate approach to car-supply problems. That is ICC's previous order that miles as well as days must be considered in setting per-diem charges (p. 12). Maybe, with the per-diem matter settled finally, ICC decided it would forego a crackdown on car service. If that were so, however, it might mean ICC knew something nobody else knew. The ICC order came Nov. 7, while the Supreme Court ruling wasn't made public until Nov. 10.

Sizing up the 70s

(Continued from page 40)

is to support whatever helps our railroad friends and the future of the railroad industry.

HENDERSON: When we started the initial round of advertisements in the Wall Street Journal and Business Week, keyed to the theme "Meet the New Railroads," we found that even some RPI members were not totally aware of what we were trying to accomplish, and many had great reservations about the program and the direction in which RPI was going. But having witnessed the success of the road shows—and in my judgment particularly the success which Nils Lennartson has had in working so closely with key members of the Administration along with officials of AAR—those who were once critical have now given unqualified endorsement of "the new RPI."

BREDIMUS: I think there's no question about this. And we all see in our frequent contacts with railroad leaders that they recognize that RPI is a very valuable asset to the railroad industry.

HENDERSON: The endorsement of RPI by the railroads poses a challenge to RPI in the future that it must always maintain a strong viable program, and this we intend to do.

Q. Mr. Perlman has mentioned the need, as he sees it, for more government R&D in railroad transportation. What are your views?

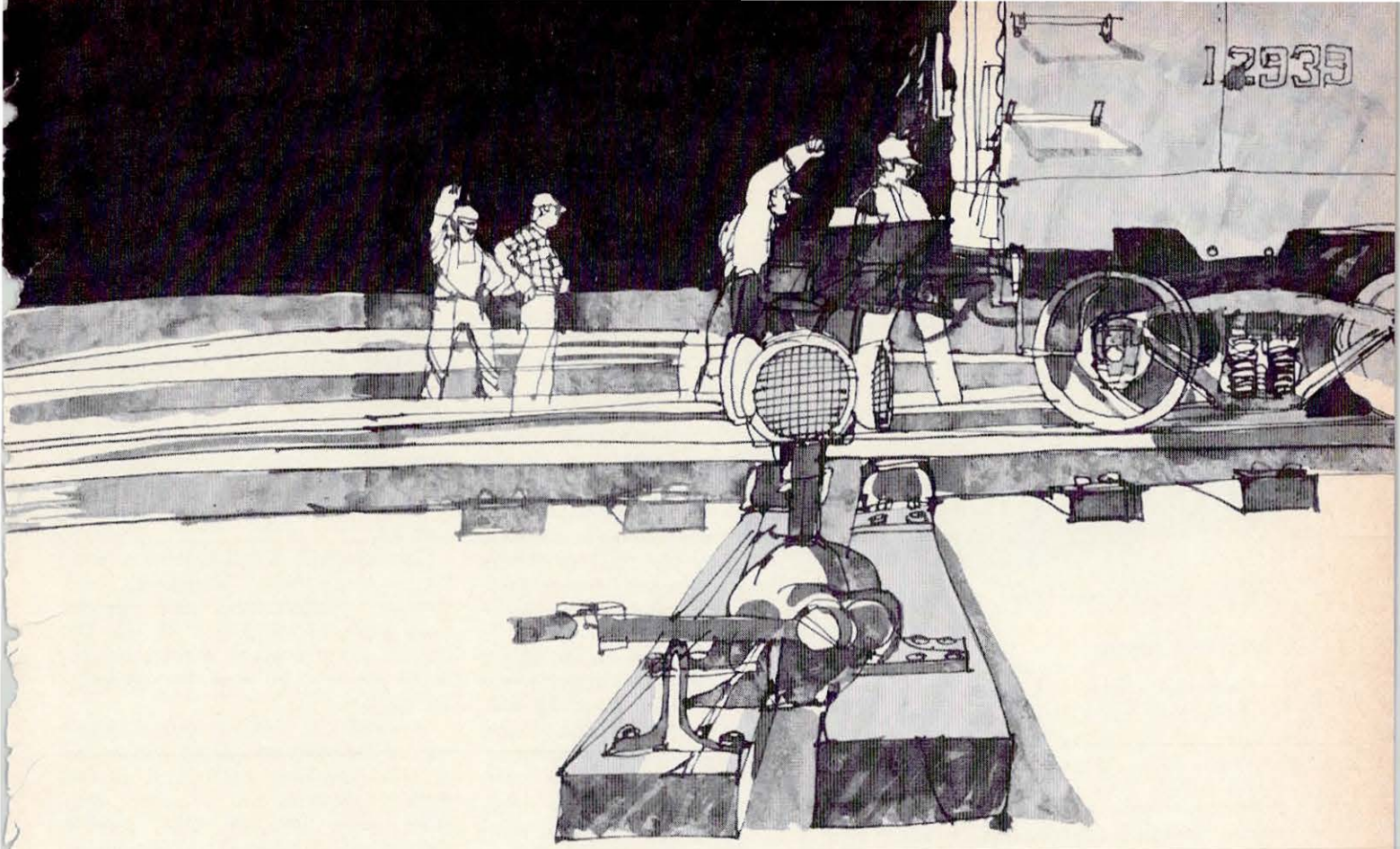
HENDERSON: We agree, and I think it can be done as it has been done in other industries. We have been invited to submit proposals for new product concepts directly to DOT as a research project.

Q. What specific projects would you suggest need R&D attention, with government participation?

HENDERSON: The list would be so long that it would be difficult to state here. Let's take the area of safety alone. For example, how can you have a bearing failure and not run the risk of derailment? Does this mean a different type of suspension? The supply industry, right now, should be making such proposals to the government and this we are working on.

LENNARTSON: One reason the suppliers aren't doing more on R&D goes back to the original question—the supply of money. If the railroads don't

(Continued on page 47)



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NEW PRODUCTS REPORT

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Bulk-handling system (RA-4)

The Tote Big Bag, a bulk-handling system utilizing a collapsible bag as a unit load container, has a tare of under 100 lb and a capacity of 4,000 lb. The reusable bag is made of a special PVC coated fabric or synthetic rubber and has cord-tied sleeves at top and bottom for filling and discharging. A welded ring or straps are attached to the top of each bag for lifting by fork lift or hoist. *Hoover Ball & Bearing Co.*

Passive repeaters (RA-2)

Designed to specifications for microwave operation at frequencies of 13 GHz and lower, a 40 x 60 ft passive repeater has the rigidity and fact flatness required for utmost reliability and efficiency. Model standardization eliminates any future modification of the unit in the event of frequency change.

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Microwave (RA-3)

The new MW-318 all solid-state micro-wave radio relay system provides improved performance and reliability in the long haul transmission of voice and data in the 6.45 to 6.875 GHz range. Increased fade margins result from full one-watt transmitters and low-noise receivers providing system gains as high as 115 db from antenna to antenna.

The MW-318 is available in a number of non-standby, hot-standby, and diversity configurations and operates from either 24 volt DC or 48 volt DC battery power sources. Power requirements are low: 90 watts per transmitter/receiver.

A standby or diversity drop repeater may be mounted on a single 7 ft or 7½ ft rack requiring only front access. Built-in metering is provided with eight major inservice tests possible without use of external test equipment. *Collins Radio Co.*

General purpose adhesive (RA-5)

A waterproof, rubber-base, general-purpose adhesive, Scotch-Grip Mastic 1897, will bond wood, glass, metal, textiles, rubber, concrete, fibrous glass, cork and felt to each other or to painted surfaces. Mastic properties allow it to bridge gaps between uneven surfaces and between loose fitting or mis-matched parts. The material remains firm and flexible while bond strength continues to increase for several days after initial assembly. Solvents may be used to remove the adhesive from painted surfaces without damage. *3M Company.*

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Sizing up the 70s

(Continued from page 44)

place orders, the suppliers don't have the money to put into R&D. If there were a better profit picture, we'd be doing more, but dollars are so tight that they just have to go into other places.

HENDERSON: This is one of the least understood areas of why we are so strongly in favor of the tax incentives. If a sufficiently high level of railroad purchases is maintained, then two things occur: One, we can indeed carry out the research and development in new devices that are so essential to the progress of the railroad industry. And the second thing is that the supply industry would no longer have to respond on a stop and go basis to railroad orders. When the railroads continue to purchase in cyclical fashion, we find that we're without people, then we can't hire them back. Just 15 years ago my company could lay off people and get back 85%; five years ago it was 50%; three years ago you could get back 25%; and today we're lucky if we get back 10%. And to start through the total cycle of retraining and acquiring the skills means that we can't respond—and if we can't respond, then how is the railroad industry, even given the go-ahead by government, to respond to its need to modernize?

BREDIMUS: One of the greatest problems for suppliers is getting a reliable return on investment. There are many things that can be done by suppliers, all costing money. But when you try to compute return on investment, and forecast what this business is going to be like over the next four or five years, it's very difficult due to the highly cyclical nature of railroad purchasing.

LENNARTSON: Freight-car supply is not, let me point out, our only problem. One of the things that RPI is trying to do in its visits with officials of the Executive branch as well as the Congress is to get understanding and awareness of the importance of locomotives. Too many people in Washington get the notion that a freight-car shortage can be solved only by putting more freight cars into service, and neglect to realize that if you don't have a locomotive to haul that train it isn't going anyplace.

HENDERSON: And there is also the question of roadbed, and new signaling and communication facilities. The point is, we need a massive infusion of capital, right across the board.

Q. The mood of the railroads is pretty pessimistic these days. Costs are rising,

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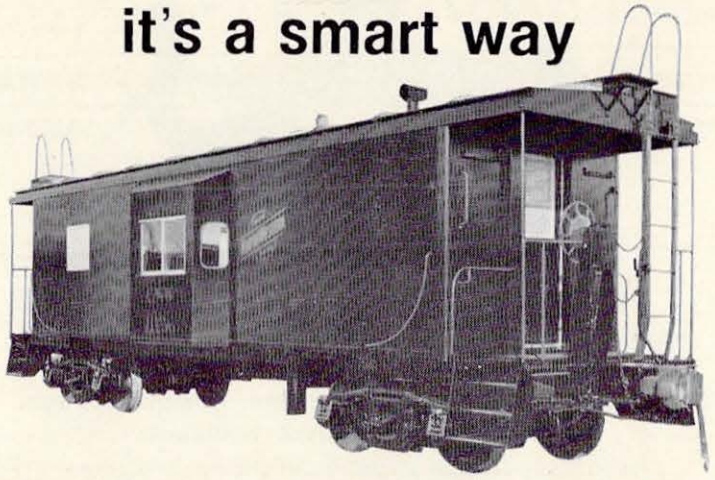

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earnings are falling. We have just had to go for a 6% rate increase. How do you feel—immediately and long range—about the future of the industry?

BREDIMUS: The feeling in my own company is that over the long haul the inevitable increase in net ton-mile requirements will definitely build up the railroads. Some way or another there's got to be an answer and we're going gung-ho knowing that there will always be a railroad industry and that it *must* build up.

HENDERSON: We're not going to see a rapid change in the outlook. Yet this nation is going to be so dependent upon a viable rail system in the next 5, 10 or 15 years that the future can only hold great promise for the railroad industry. I feel that the transition from where we are now to that point isn't as great as some people think once we get the needed capital. I was much impressed by the recent comment of G. Russell Moir, chairman of the United States Freight Co., who said that one of the gravest problems facing all of us in transportation is how to halt and then reverse the alarming decline in popular confidence in railroads, the oldest and most indispensable form of common carriers. This is why the role of RPI in upgrading the image of railroads is such an important function.

Q. How solidly are the railway suppliers supporting the RPI's work—that is, in terms of membership?

LENNARTSON: The membership situation in RPI continues to be very favorable. We had a very dramatic spurt in membership a while ago when we went from 140 to 190 plus. The facts of life are that once you get that dramatic kind of a surge you get some people who come in for the sake of the drive and then drop out. So we've had some dropouts. But we've also had many new members and we are holding at about 195 members today. We're still trying to get some big industries that should be in but aren't. There are also some old-line suppliers who should be in and who are not. This includes some of the dropouts. We feel that in the next year we should try to impress on them that they in fairness should share this job of supporting their railroad customers with their colleagues who are doing so. But under Elwyn Ahnquist of the Pullman-Standard Company, the membership committee has been very active and has had a very good year.

Q. What kind of program do you have in mind for 1970?

HENDERSON: We don't see any change at this time in the direction we're moving. We will be doing more of the same. More—and, I hope, even better.

LENNARTSON: Bill Henderson was good enough to say earlier some kind words about the RPI staff and me, personally. I would like to make it a matter of record that all of us on the RPI staff—Bob Matthews, our outstanding secretary-treasurer; John Koenig, our fine new public affairs director, and Russ Griffin, our very efficient administrative assistant, as well as the girls, all join me in saying thank you to our "bosses" for the leadership, support and friendship given us. It is a great joy to work under chairmen and vice chairmen as Bill Henderson, Frank Bredimus, Ashley Gray and Art Smith and we look forward to enjoying interesting work with other such leaders of RPI in the time ahead ■

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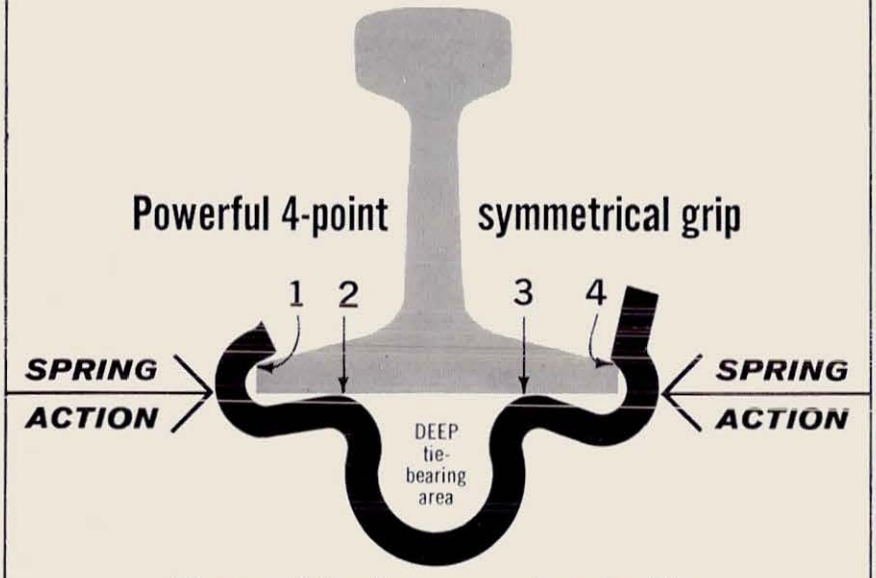

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PEOPLE

BALTIMORE & OHIO.—Frederick S. Baldinger, assistant regional sales manager, New York, promoted to regional sales manager there, succeeding **Peter W. Nutley,** retired, **George W. Bunyea, Jr.,** district sales manager, New York, succeeds Mr. Baldinger. **John A. Foard,** customer service manager, New York, named district sales manager.

BURLINGTON.—C. Gordon Gill named senior cost analyst, Chicago. He was formerly economic and cost research analyst, **Chesapeake & Ohio/Baltimore & Ohio.**

CANADIAN NATIONAL.—N. A. Klodniski, electrical and mechanical engineer, office of chief architect, appointed engineer of construction—system, Montreal, reporting to **G. H. Workman,** assistant chief engineer—design and construction. Mr. Klodniski's former position abolished. **D. Schulz,** rail yard supervisor, Belleville, Ont., appointed superintendent work equipment, Great Lakes Region, Toronto, succeeding **J. W. Risk,** who retired Nov. 1.

J. E. S. Lalonde, senior branch manager, Quebec Area, appointed sales manager, St. Lawrence Region, Quebec, Que.

David G. Deans, manager, internal audit, Mountain Region, Edmunton, Alta., transferred to the Prairie Region, Winnipeg, Man., succeeding **A. E. Deegan,** recently appointed regional coordinator of CN's TRACS program.

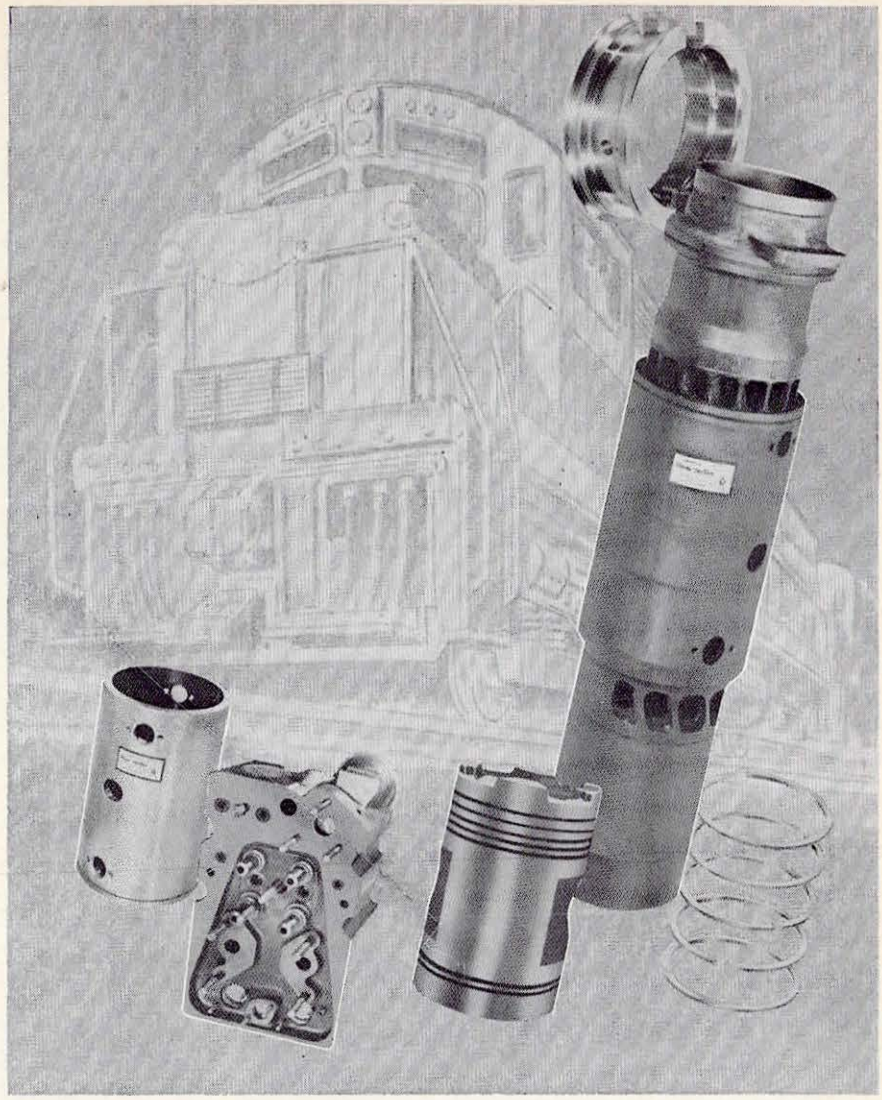
CHESAPEAKE & OHIO—BALTIMORE & OHIO.—Walter G. Sechler, assistant superintendent of transportation; Detroit, appointed manager, car distribution there. Four new managers of car distribution at Baltimore named: **Raymond P. Whittenberger,** assistant superintendent, coal car distribution; **Jack E. Southworth,** assistant freight service manager; **Charles S. Burgess,** terminal trainmaster, Cincinnati; and **Robert O. Clarke,** assistant to superintendent, car distribution.

E. A. Pennington, assistant superintendent, car distribution, named superintendent of equipment services. **Charles E. Clay,** supervisor of terminals, Baltimore, named chief supervisor, car distribution, Baltimore. **Dan F. Baker,** assistant terminal trainmaster, Covington, Ky., promoted to terminal trainmaster there succeeding Mr. Burgess. **Stuart L. Morton,** agent, Detroit, appointed assistant superintendent, agencies, Chicago.

H. L. Ellis, trainmaster, C&O, Russell, Ky., promoted to assistant superintendent, Richmond, succeeding **G. E. Kleykamp. R. H. Savage,** road foreman of engines, Ashland, succeeds Mr. Ellis.

CHICAGO & EASTERN ILLINOIS.—Leonard B. Griffin named superintendent, Chicago division, Dolton, Ill. Mr. Griffin, formerly superintendent, **Alton & Southern,** East St. Louis, Ill., replaces **H. C. Gruenkemeyer,** named superintendent, Kansas City Terminal division, **Missouri Pacific-Texas & Pacific,** at Kansas City, Mo

CHICAGO & NORTH WESTERN.—Four



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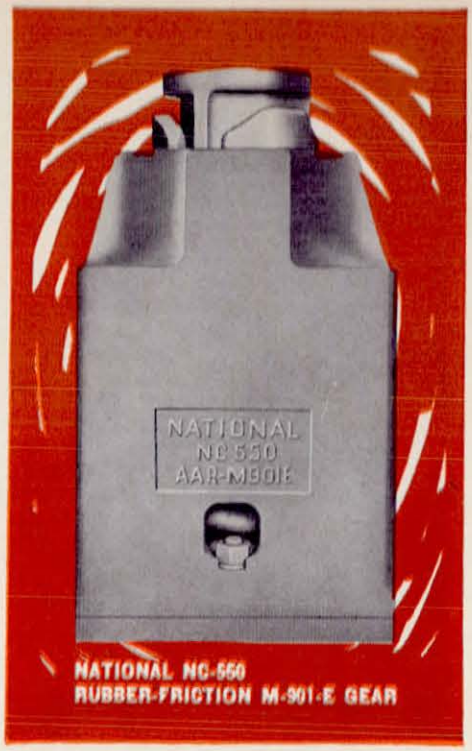
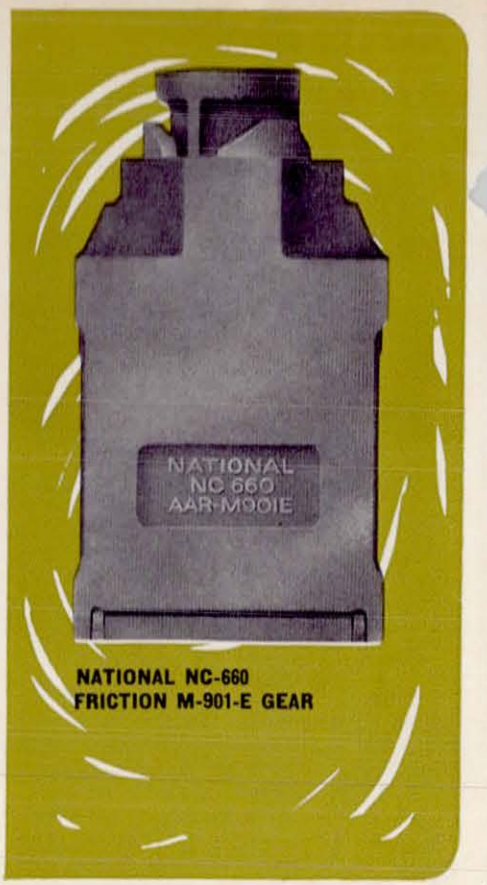
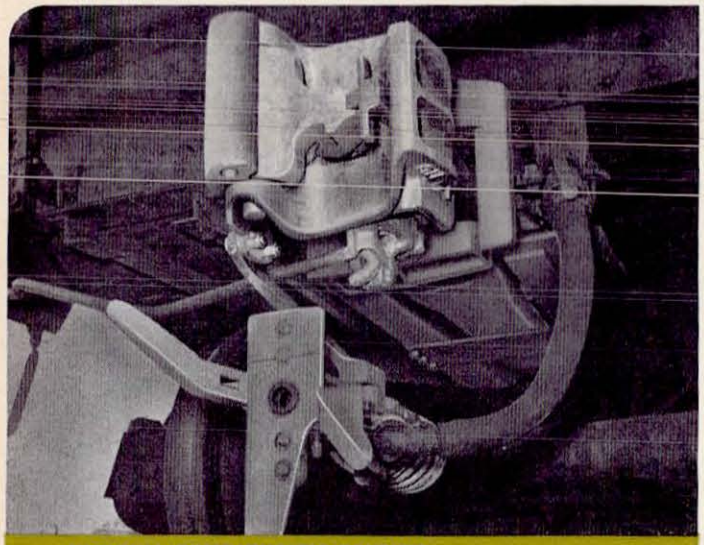


NATIONAL NC-550
RUBBER-FRICTION M-901-E GEAR

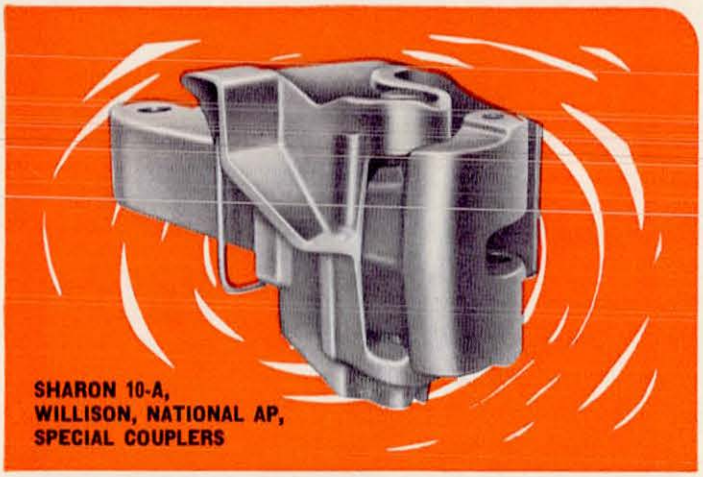


NATIONAL NC-660
FRICTION M-901-E GEAR

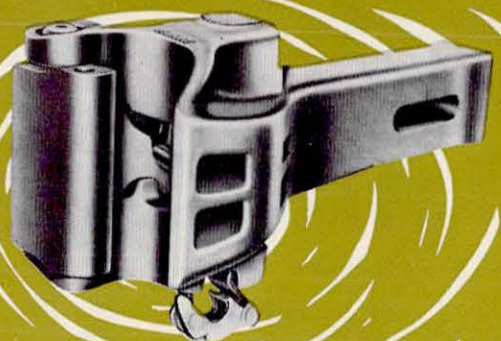
Draft Gears



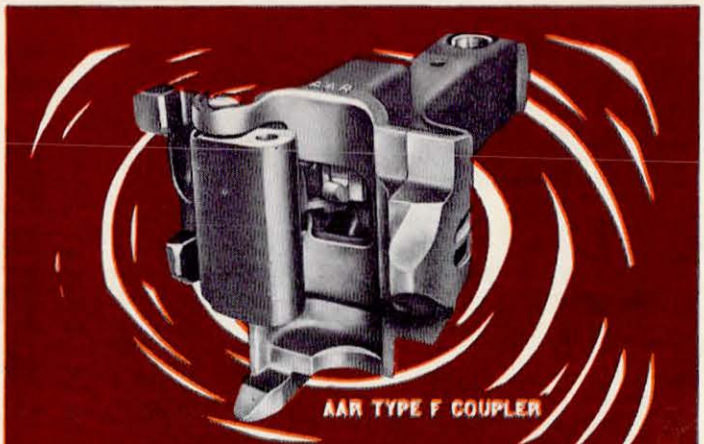
NATIONAL COMPATIMATIC COUPLER



SHARON 10-A,
WILLISON, NATIONAL AP,
SPECIAL COUPLERS

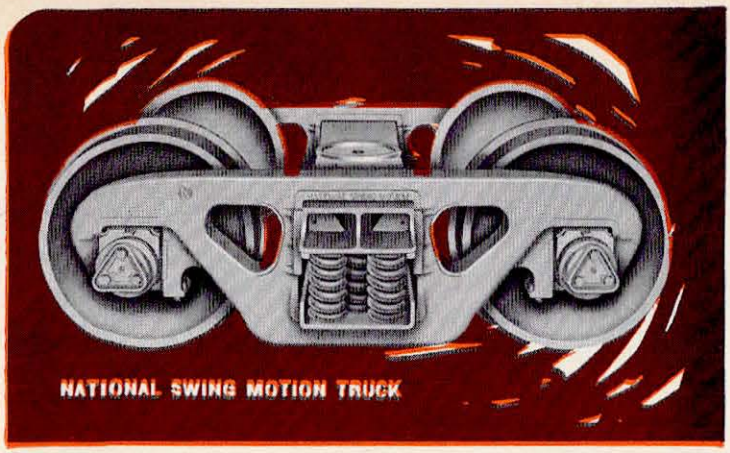


AAR TYPE E COUPLER



AAR TYPE F COUPLER

Couplers



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National provides solutions to railroading problems by broadening the area of choice

National not only offers you a wider choice by broadening its product line, but also provides you with solutions to all normal operating problems involving draft gears . . . trucks . . . couplers. And when abnormal problems arise, we cut these down to size, too, through our unparalleled research, development, and testing facilities.

You're already familiar with National's Couplership. National virtually wrote the book on automatic couplers of all types. Right up to today's fully compatible and automatic coupler — the exclusive National Compatimatic. Now we're doing the same with draft gears. There's one for every application — all-rubber, rubber-friction, or friction.

And in trucks, we've even capped the National Super C-1 and Wedgelock developments with the National Swing Motion Truck. It's the truck for the 70's that permits operation to speeds of about 100 mph with either new or used wheels . . . with either empty or laden cars . . . without excessive wear, danger of derailments, or damage to cars or lading.

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Midland-Ross Corporation

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A-4746

F. S. Baldinger
B&O

W. J. Weatherall
C&NW

W. H. Huffman
C&NW

W. B. Ellis
C&NW

assistant vice presidential positions have been created. **J. W. Alsop,** assistant vice president and general manager, named assistant vice president-operations and general manager. **W. J. Weatherall,** general superintendent-car department, appointed assistant vice president and chief mechanical officer. **W. H. Huffman,** chief engineer, becomes assistant vice president and chief engineer. **W. B. Ellis,** general superintendent-motive power, appointed assistant vice president and director of industrial engineering.

J. L. Larson named assistant superintendent, freight car maintenance. **D. F.** appointed operations liaison officer, Chicago. **E. L. De VoL** appointed assistant superintendent, Missouri division, Oelwein, Iowa. **J. J. Leahy** becomes assistant to the general manager. **H. W. Bussie** named assistant to superintendent transportation. **V. W. Anderson, W. E. Arteman,** and **G. N. Schang** named trainmasters, Escanaba, Mich., West Chicago, Ill., and Proviso, Ill., respectively. In the general superintendent transportation's office, **J. C. Kerscher** named assistant to superintendent car services; **M. H. Von Bokern,** transportation officer; **T. M. Minard,** special equipment officer.

J. D. O'Neill, superintendent of car department-operations, named general superintendent of motive power. **F. E. Cunningham,** superintendent, car department-administration, appointed general superintendent, car department. **M. H. Crandall,** superintendent of shops-system motive power, becomes superintendent, motive power. **E. S. Spafford,** assistant superintendent, car department, named superintendent, freight car maintenance. **D. F. Dilgard,** assistant superintendent, car department-operations, named superintendent, special equipment. All will continue to have headquarters in Chicago.

ERIE LACKAWANNA.—W. J. Abrams appointed division director data control, Buffalo, N.Y.

FRISCO.—J. M. Godfrey, superintendent, Southern division, appointed assistant superintendent transportation, Springfield, Mo. **B. C. Davidson,** superintendent, Memphis Terminal, succeeds Mr. Godfrey, and in turn is succeeded by **R. L. Buchanan,** superintendent, St. Louis Terminal. Mrs. Buchanan's successor is **T. R. Blackwell,** trainmaster, Birmingham, Ala., Terminal. **R. A. Rorie,** division superintendent, Tulsa, Okla., appointed division manager, Springfield, Mo., succeeding **W. W. Francis,** appointed personnel officer-special assignments. Mr. Rorie's successor is **R. S. Fuller,** superintendent, Tulsa Terminal. **W. R. Wallace,** assistant superintendent transportation Springfield, succeeds Mr. Fuller, **R. L. Akins,** trainmaster, Amory, Miss., named superintendent, Birmingham, Ala., Terminal, succeeding **W. B. McCaffrey,** retired. **T. J. Davis,** trainmaster, Mobile, Ala. replaces Mr. Akins, and in turn is replaced by **M. L. Thornbrough,** transferred from Springfield. **B. J. Lutzenberger,** assistant superintendent, Birmingham Terminal, becomes assistant superintendent, Springfield Terminal. Mr. Lutzenberger's successor is **K. E. Richardson,** trainmaster, Birmingham, who in turn is succeeded by **C. B. May,** formerly associated with **Vulcan Materials Co.,** Birmingham.

GRAND TRUNK WESTERN-CANADIAN NATIONAL.—G. Raymond Conaway, regional passenger sales manager, Great Lakes Region, **CN,** named manager of passenger sales and services, **GTW-CN,** to succeed **William B. Berrington,** appointed to the new position of manager of industrial development. Both will have headquarters in Detroit.

Bruce L. Miller, special assistant to the vice president and general manager, GTW, appointed manager, general claims, to succeed the late **Michael A. Prus.**

GREAT NORTHERN. — Eugene P. Schmidt promoted to director dimensional equipment, St. Paul, Minn., succeeding **J. E. Peterson,** who retired Oct. 31, after 44 years of service.

D. D. Dahl, trainmaster, Klamath Falls, Ore., transferred to Everett, Wash., succeeding **A. W. Foote,** transferred to Balmer Yard, Seattle. **C. A. Keil,** chief clerk, Minot, N.D., promoted to the newly created position of trainmaster, Seattle, Wash.

D. E. Lewis, manager of the reservations bureau, St. Paul, appointed assistant to the passenger traffic manager, to succeed **E. H. Beckford,** who retired Oct. 31 after 49 years' service. Mr. Lewis' successor is **I. R. Dahlman,** supervisor of baggage services.

LOUISVILLE & NASHVILLE.—C. L. Methvin, district freight agent, Miami, Fla., named district sales manager, Charlotte, N.C., succeeding **J. Eugene Fairley,** gen-

Whiting service gantries are so talented!

They sand and lubricate . . . move up to, over and around stationary locomotives . . . can service two tracks at once . . . indoors or out. And they can operate from top-riding or underhung cranes. Since one man runs them, you can imagine the money they save. If your job is to get more for less, better send for details.

WHITING CORPORATION
HARVEY, ILLINOIS 60426 U.S.A.
Circle 21 on coupon page 46

eral agent, who retired Oct. 31 after more than 47 years of service. Mr. Methvin's successor is **G. S. Finnegan,** traveling freight agent, Miami.

Harold W. Henderson, assistant general attorney, Louisville, appointed general attorney.

W. E. Anderson, director, data control, Louisville, named director, transportation planning and procedures. **E. E. Clemons,** supervisor, data control, succeeds Mr. Anderson.

Robert L. Zeh, staff assistant, coal traffic, Louisville, appointed coal traffic agent.

E. O. Rollings named manager, South Louisville Shops. Mr. Rollings successor as general supervisor, work equipment, Louisville, is **L. J. Calloway,** assistant general supervisor, work equipment.

MILWAUKEE.—Anthony C. Novak, superintendent of road and suburban passenger service and personnel, Chicago, retired recently after more than 46 years of service.

MISSOURI PACIFIC-TEXAS & PACIFIC.—H. C. Gruenkemeyer named superintendent, Kansas City Terminal division, Kansas City, Mo., to succeed **C. A. Boyd,** appointed assistant manager-data control, St. Louis. **L. B. Griffin** succeeds Mr. Gruenkemeyer as superintendent, Dolton, Ill., for **Chicago & Eastern Illinois,** a **MP** subsidiary. **P. P. Wagner, Jr.,** assistant manager land, St. Louis, named manager, contracts, land and leases there, succeeding **R. H. Lomax,** retired. **C. D. Parrish** replaces Mr. Wagner.

V. G. Dyer named assistant manager-management information system installation, St. Louis.

NEWBURGH & SOUTH SHORE.—Grey E. Pratt, general superintendent, **Youngstown & Northern,** East Pittsburgh, Pa., named general superintendent, Newburgh & South Shore.

NORFOLK & WESTERN—Jean E. Lyon, superintendent, Buffalo Terminal, Buffalo, N. Y., appointed assistant general manager, Lake Region, Cleveland, Ohio. **Eugene E. Nicewonder,** assistant superintendent, Scioto Division, Portsmouth, Ohio, succeeds Mr. Lyon. **Ralph G. Plunkett,** trainmaster, Bison Yard, Buffalo, promoted to assistant superintendent, Portsmouth Terminal.

Larry E. Jennings appointed manager property protection—system, Roanoke. He was formerly captain of police, Chicago.

Harold L. Wingfield, assistant superintendent—mechanical, Sandusky, Ohio, appointed superintendent floating equipment —mechanical, Detroit.,

NORFOLK SOUTHERN.—C. O. Wagner, assistant secretary, elected secretary, Raleigh, N.C., succeeding **Miss Goldie May Lane,** who retired Nov. 1, after 26 years of service.

Joseph A. Borsinger appointed district sales manager, Chicago, succeeding **Royce A. Cornell,** resigned to enter other business.

ROCK ISLAND.—Edward F. Wieckert, chief clerk in the office of the manager of revenue accounting, named assistant man-

J. M. Godfrey
Frisco

G. R. Conaway
GTW-CN

Wm. B. Berrington
GTW-CN

O. H. Osborn
Santa Fe

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FIELD WELDS DAILY"*
* October, 1968 "Railway Track and Structures"
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THERMIT® SELF-PREHEAT RAIL WELDING
. . . The modern, in-track method that:
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Let us show you how to reduce your joint maintenance costs 100% with Thermex's unique, tested and proven rail welding process. Send for free fact-filled brochure which details Thermit Self-Preheat rail welding. Or, better yet, request a Thermex representative to arrange an on-site demonstration. Simply write or call . . .
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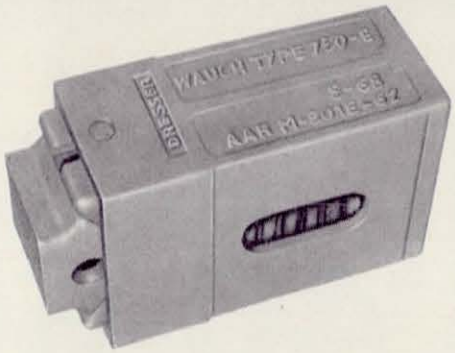
Circle 22 on coupon page 46

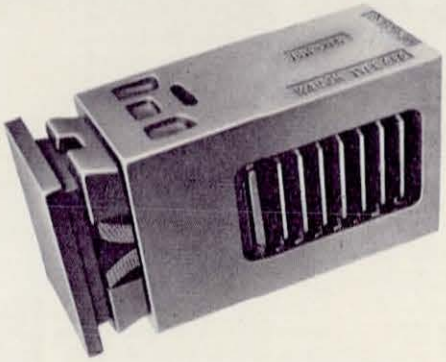
turn to WAUGH...



TYPE 730-E

Friction-Rubber (Urethane)

The Only Full-capacity "E" Draft Gear for Pre-1961 Cars. Conditionally Approved — Exceeds AAR Specification M-901-E. Official capacity is 51,300 ft. lbs. at 2.85" travel, at 618,000 lbs. reaction.



TYPE 650

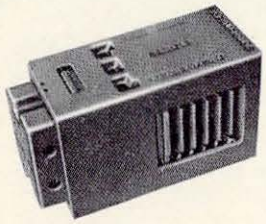
Friction-Rubber (Urethane)

Unconditionally Approved — Exceeds AAR Specification M-901-E. Official capacity is 43,700 ft. lbs. at 3.09" travel, at 522,000 lbs. reaction. Supplied with built-in follower. Specify Type 650-1 for "F" coupler application.

Waugh has long been an innovator in the development and design of all types of railroad car cushioning. No matter what your draft gear needs, we can expertly meet exacting requirements — enabling you to more profitably meet today's increased service demands.

Let us put our more than 60 years experience to work for you.

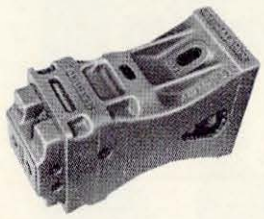
for Draft Gears



TYPE 700

Friction-Rubber

Unconditionally Approved—Substantially Exceeds AAR Specification M-901. Official capacity is 51,600 ft. lbs. at 2.62" travel, at 1,006,200 lbs. reaction.



TYPE 420A

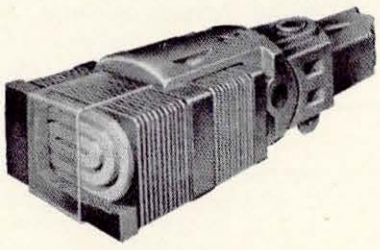
Friction All-Steel

Unconditionally Approved — Exceeds AAR Specification M-901. Official capacity is 20,600 ft. lbs. at 2.61" travel.

TYPE 451

Friction All-Steel

Unconditionally Approved — Exceeds AAR Specification M-901 minimum requirements of 18,000 ft. lbs. at closure.



TWIN CUSHIONS

Provide two-way action with separate pull and buff units for shock control superior to conventional one-way draft gears. Control is effective throughout the entire travel. Types are available for main line, MU and commuter passenger trains.

451 fits 18½" draft pocket. All others fit standard 24⅝". Capacities shown are average of 5 test gears.

if it rolls on rails specify

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Circle 23 on coupon page 46

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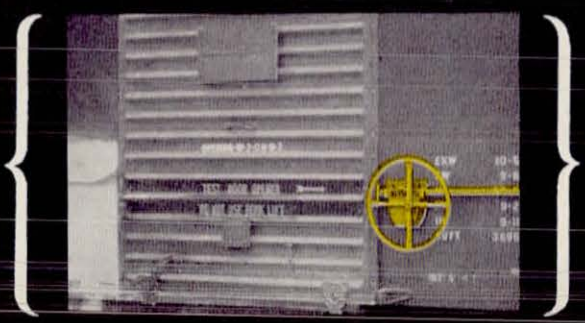
OPEN DOOR
POLICY



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Circle 24 on coupon page 46

ager of revenue accounting, Chicago.

Walter L. Chavez named to the newly created position of region manager, piggyback department, Liberal, Kans.

SANTA FE.—**O. H. Osborn,** assistant vice president-personnel, Chicago, named vice president-personnel there, to succeed **Walter L. More,** who retired Oct. 31 after 52 years of service.

Raymond W. Fortune, system contract supervisor, named assistant to vice president, Chicago, succeeding **R. A. Johnson,** retired.

SANTA MARIA VALLEY.—**Mrs. Sue J. Sword,** secretary—treasurer and auditor, Santa Maria, Calif., appointed vice president succeeding the late **T. G. Cocking.** Mrs. Sword will continue as auditor. **Jeff J. White** appointed to the newly created position of superintendent.

SOUTHERN FREIGHT ASSOCIATION—SOUTHERN FREIGHT TRAFFIC BUREAU, SFA DATA PROCESSING BUREAU, SOUTHERN PASSENGER ASSOCIATION—SOUTHERN WEIGHING & INSPECTION BUREAU—SOUTHEASTERN DEMURRAGE & STORAGE BUREAU—SOUTHEASTERN RAILROADS ASSOCIATED BUREAUS—These Atlanta-based railroad associations and bureaus have moved to the new Transportation Building, 151 Ellis Street, N.E.

SOUTHERN PACIFIC.—**J. D. Ramsey** named assistant general manager, Houston. **S. E. Tanner** appointed superintendent, San Antonio, Tex. **D. J. Brown** becomes assistant general superintendent of transportation, and **F. L. Johnson,** assistant superintendent of car service, both with headquarters in Houston. **J. E. Adams,** superintendent of transportation, retired Oct. 31 after more than 49 years' service. **Benton L. Hicks** and **R. A. Hodges,** district freight and passenger agents, Corpus Christi and Austin, Tex., respectively, retired Oct. 31. **E. L. Woods** named division engineer, San Antonio.

SOUTHERN PACIFIC TRANSPORT CO.—**J. H. Wryn** appointed terminal manager, and **H. W. Hamblen,** assistant terminal manager, both with headquarters at Dallas.

TRANSIT

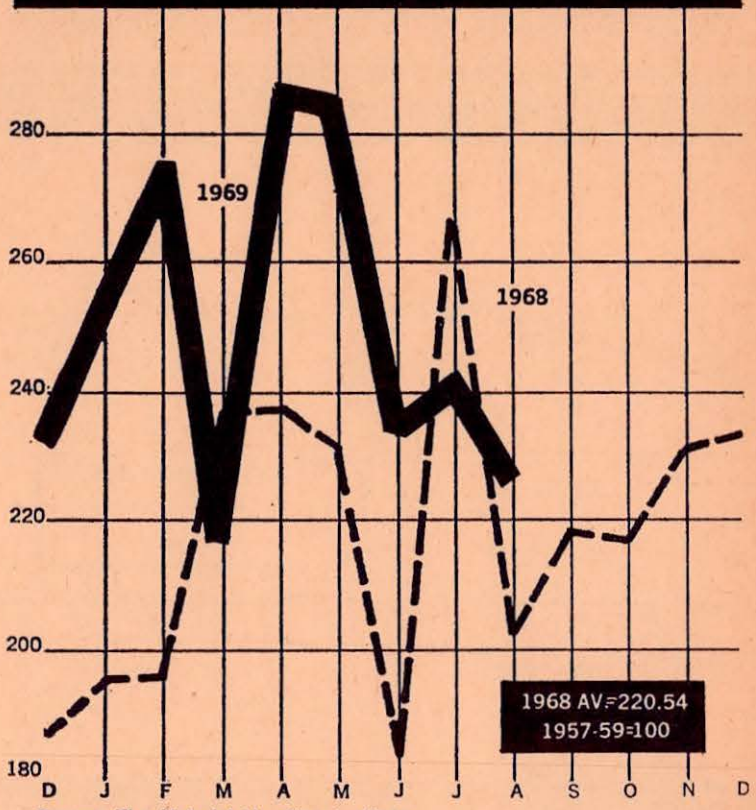
Kenneth G. Knight has been elected assistant vice president, **De Leuw, Cather & Co.** Mr. Knight is chief engineer, Washington office, where the firm is general engineering consultant to the **Washington Metropolitan Area Transit Authority.** Mr. Knight is a member, Sub-committee on Design Standards, Technical and Operations Committee, **Institute for Rapid Transit.**

OBITUARY

James C. James, Sr., 87, retired executive vice president and general counsel, **Burlington,** died Oct. 31 in Copley Memorial Hospital, Aurora, Ill.

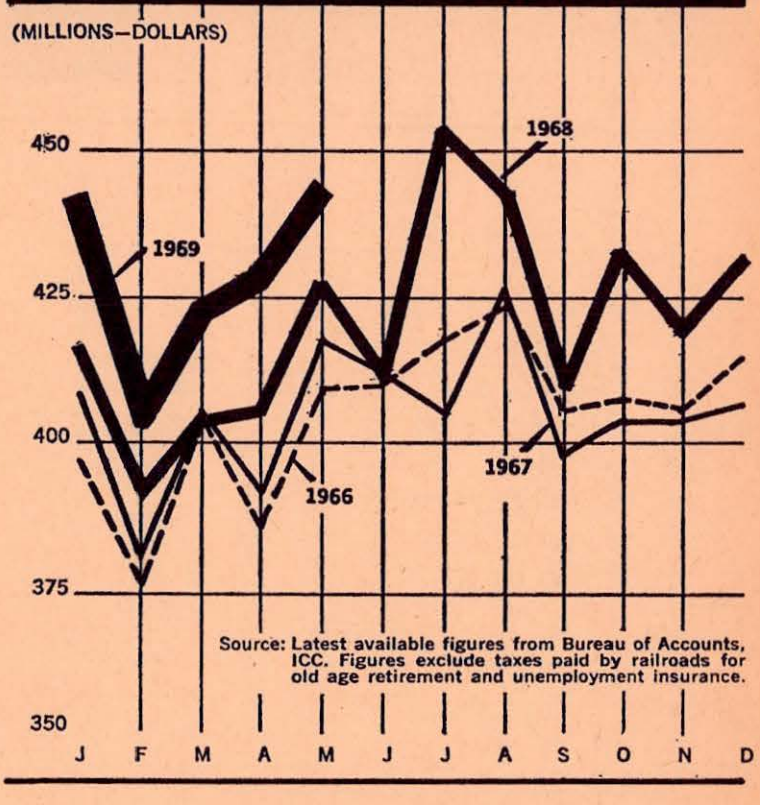
MATERIAL HANDLING EQUIPMENT BOOKINGS

(seasonally adjusted)



Source: The Material Handling Institute.

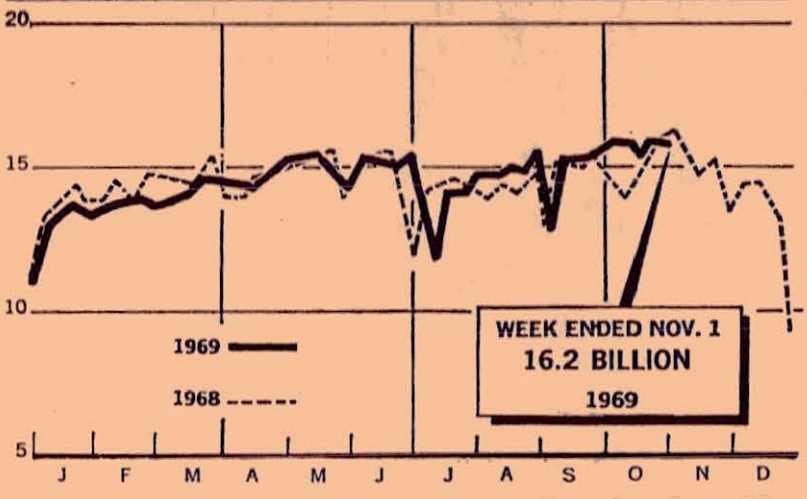
WAGE STATISTICS
CLASS I LINE-HAUL RAILROADS



Source: Latest available figures from Bureau of Accounts, ICC. Figures exclude taxes paid by railroads for old age retirement and unemployment insurance.

RAIL FREIGHT TRAFFIC TRENDS

BILLION TON-MILES (Estimated)



Source: Association of American Railroads

SHIPMENTS OF RAILROAD STEEL PRODUCTS

(AUGUST AND EIGHT MONTHS 1969)

	NET TONS			
	August	Per Cent Change*	Eight Months	Per Cent Change*
Rails, trackwork and equipment	60,769	+94.7	761,482	+6.6
Freight and passenger cars and locomotives	161,515	+56.8	1,550,007	+7.9
Street railways and rapid transit systems	6,786	−32.0	35,257	−34.0

*Per cent change compares 1969 periods with like 1968 periods.
Source: American Iron and Steel Institute.

Current Statistics

Net income, Class I roads	
Nine months, 1969	$372,000,000
Nine months, 1968	388,000,000
New freight cars on order	
Oct. 1, 1969	45,133
Oct. 1, 1968	16,124
New freight cars delivered	
9 mos., 1969	50,060
9 mos., 1968	43,066
Serviceable cars	
Oct. 1, 1969	1,361,374
Oct. 1, 1968	1,386,742

MARKET OUTLOOK

CARLOADINGS

Loadings of revenue freight in the week ended Nov. 8 totaled 581,270 cars, the Association of American Railroads announced on Nov. 13. This was a decrease of 15,804 cars, or 2.6%, compared with the previous week; an increase of 4,152 cars, or 0.7%, compared with the corresponding week last year; and an increase of 11,989 cars, or 2.1%, compared with the equivalent 1967 week. Ton-miles generated by carloadings in the week ended Nov. 8 are estimated at 15.8 billion, an increase of 3.0% above the corresponding week of 1968, and 8.2% above the 1967 week.

REVENUE FREIGHT CARLOADINGS

Commodity	Nov. 1 week	Preceding week	Per cent change
Grain	30,939	29,515	+ 4.8
Farm products	26,566	28,315	— 6.2
Metallic ores	42,589	50,751	—16.1
Coal	109,326	106,603	+ 2.6
Crushed stone, gravel & sand	32,203	33,316	— 3.3
Nonmetallic minerals	10,660	10,970	— 2.8
Grain mill products	21,824	21,709	+ 0.5
Food & kindred products	27,121	26,461	+ 2.5
Primary forest products	25,258	25,573	— 1.2
Lumber & wood products (except furniture)	16,259	15,634	+ 4.0
Pulp, paper & allied products	26,456	25,113	+ 5.3
Chemical & allied products	27,762	27,490	+ 1.0
Petroleum products	11,071	11,300	— 2.0
Stone, clay & glass products	21,720	22,184	— 2.1
Coke	9,019	10,181	—11.4
Metals & products	28,926	28,495	+ 1.5
Motor vehicles & equipment	26,692	26,266	+ 1.6
Waste & scrap materials	15,956	15,764	+ 1.2
Forwarder & shipper assn. traffic	8,876	8,682	+ 2.2
All other carloads	75,935	75,025	+ 1.2
LCL traffic	1,916	1,860	+ 3.0
Total cars loaded	597,074	601,207	— 0.7

CUMULATIVE TOTAL, 44 WEEKS	1969	1968	1967
	24,017,019	24,047,217	23,903,841

PIGGYBACK CARLOADINGS

U. S. piggyback loadings for the week ended Nov. 1 totaled 28,434 cars, carrying 47,832 trailers, compared with 28,692 cars, carrying 47,637 trailers, in the corresponding 1968 week. Loadings for 1969 up to Nov. 1 totaled 1,144,369 cars, carrying 1,885,055 trailers, compared with 1,138,092 cars, carrying 1,854,493 trailers, in the corresponding period of 1968.

IN CANADA

Cumulative	Revenue Cars Loaded	Total Cars Rec'd from Connections
Oct. 21, 1969	2,904,698	983,827
Oct. 21, 1968	3,022,213	991,957

FREIGHT-TRAIN CARS

● *Penn Central.*—Ordered 248 new, 70-ton box cars at a cost of $6,237,000, and the rebuilding of 1,700 55-ton box cars at a cost of $11,860,000. The new cars will have an interior length of 60 feet. They will be built in PC's Samuel Rea Shop, Hollidaysburg, Pa. Deliveries are scheduled to start early in December and be completed the following month. Twelve hundred of the cars to be rebuilt are 50 feet long and 500 are 40 feet long. Work on them has begun at the road's Altoona, Pa., Works, where 1,500 cars are scheduled, and at Beech Grove, Ind., where the balance are coming off the repair lines.

● *Trailer Train.*—Ordered an additional 682 cars as follows: from ACF, 137 89-ft, 4-in. low level cars; from Bethlehem, 333 89-ft, 4-in. standard level cars and one 68-ft steel car prototype; and from Pullman Standard, 196 89-ft, 4-in. low level cars and 15 60 ft flats. This brings TTX purchases of new cars since Jan. 1 to 5,372. On Nov. 7, Trailer Train had 53,877 cars in service or on order.

CAR OWNERSHIP

● *Serviceable cars.*—Revenue freight cars in serviceable condition owned by Class I railroads on Oct. 1 totaled 1,361,374, compared with 1,386,742 on Oct. 1, 1968, according to most recent AAR Car Service Division report. Estimated total ownership of all railroad- and privately-owned freight cars on Oct. 1 was 1,787,427 (average capacity: 63:35 tons), compared with 1,803,777 (average capacity: 63.90 tons) on Oct. 1, 1968.

ESTIMATED OWNERSHIP—ALL REVENUE FREIGHT CARS

(Oct. 1, 1969 vs. Oct. 1, 1968)

		Box	Covered Hopper	Gondola	Hopper	Flat	Refg.	All Others	TOTAL
Class I	1969	544,930	125,165	193,573	398,037	70,968	54,036	54,091	1,440,900
	1968	553,573	122,859	199,001	413,299	67,753	52,348	56,877	1,465,710
RRO&C Refgs.*	1969	0	0	0	0	0	46,276	0	46,276
	1968	0	0	0	0	0	48,981	0	48,981
All Other Private	1969	1,108	33,007	2,121	2,261	47,821	14,556	175,454	276,328
	1968	1,246	28,207	286	3,833	41,550	15,407	172,737	236,266
Class II & S&T Cos.†	1969	8,282	703	4,494	7,442	556	1,428	1,118	24,023
	1968	9,084	889	5,071	8,307	590	789	1,090	25,820
GRAND TOTAL	1969	554,320	158,875	200,188	407,740	119,345	116,296	230,663	1,787,427
	1968	563,903	151,955	204,358	425,439	109,893	117,525	230,704	1,803,777

* Railroad owned and controlled refrigerator car lines.
† Class II railroads and switching and terminal companies.

SPECIAL

● *Illinois Central.*—General Signal Corp. will supply electro-hydro-pneumatic braking systems on 123 rail commuter cars being built by St. Louis Car Co. for the Illinois Central. The contract, in excess of $1 million is "significant primarily because it introduces a new technology—hydraulics—into railroad braking systems," according to Nathan R. Owen, board chairman (see p. 7).

YOU OUGHT TO KNOW

Rails would gain from proposals for PO reform

How would rails come out in proposed legal changes to enable the Post Office to make the best use of all modes? Winton M. Blount, Postmaster General answers: (1) rails no longer would have to provide terminal space for postal clerks and equipment such as RPO cars, (2) "We know of no future requirement for the construction of additional RPO equipment or its highway counterpart," (3) no railroad would have to carry mail in a train run exclusively for passengers (such as the Metroliner), (4) PO agents, officers and inspectors could no longer ride free to and from duty, and (5) even though ICC sets rail mail rates, these still can be negotiated between railroads and the Post Office, and that procedure would continue. "Currently, because we possess authority to negotiate contracts with railroads, we are able to save substantial sums of money," Blount says. For example Santa Fe's Super C takes 30 to 35 trailers of mail from Chicago to Los Angeles daily at "18% less than if the mail involved had been transported in railroad cars at applicable ICC rates," Blount said. Also continued would be the practice, where two railroads serve the same points by different routes, of using the "longer mileage railroad only if it is willing to enter into a contract equalizing its compensation with that of the shorter railroad," Blount says.

For Katy: Shrimp boats a comin'

Katy Industries has reached an agreement in principle for acquisition of a number of companies owning about 50 large shrimp trawlers operating in the Atlantic off the coast of South America. Also to be acquired is a majority interest in a shrimp processing plant and a seafood brokerage and distribution outlet in Georgetown, Guyana.

This Week slam against rails is countered

This Week magazine died Nov. 2, but its last breath singed the railroad industry. Spread over a story called "Our Railroads Are Not Safe," was a picture of a derailed passenger train. The incident depicted actually occurred in May 1966—in Den Bosch, Netherlands. The story was equally misrepresentative, says AAR's public relations vice president, James A. Schultz, and he's telling railroaders about it. "There's no way we can get This Week to make amends since This Week is now out of business. But it occurred to me that, in view of this very slanted handling (underscored by that use of a completely unrelated picture), some of you might want to call on editors in your territory whose papers ran the final issue of This Week and try to convince them, that in fairness, they should do a follow-up story."

$98 million real estate program for UP

Union Pacific is proceeding in its real estate development with a $98 million program. Included in the program are (1) a 23-story hotel in downtown Las Vegas; (2) two residential subdivisions in Whittier and Fullerton, Calif.; (3) redevelopment of a square block in downtown Portland, Ore., including a multi-story commercial, retail and parking facility with space for 400 cars; (4) a high-rise office building in downtown Omaha, and (5) accelerated development of UP's 980-acre Lincoln, Neb., commercial-industrial park.

Short haul role for the gas turbine?

Might gas turbines have a role in continuing passenger services otherwise too costly for the private rail industry? Penn Central has proposed adaptation of a gas turbine engine, like that used on the United Aircraft TurboTrains, for propulsion for what are now Rail Diesel Cars. William H. Tucker, PC vice president for New England, has asked UAC's Sikorsky Aircraft Division that the application be studied and, if feasible, the engines be installed on an out-of-service RDC car for full tests. The goal, says Tucker, would not be so much high speed as to determine if application of modern power technologies to short-haul passenger railroading can result in lower operating costs.

SUPPLY TRADE

John A. Maddocks has been appointed director of management information, **Evans Products Co.**, succeeding **James Henderson,** resigned. Mr. Maddocks was formerly a senior consultant, **Touche, Ross & Co. Joseph A. Connolly, Jr.,** formerly personnel director, **Fibreboard Corp.**, has ben named to the newly created position of corporate personnel director for Evans.

The American Process Equipment Corp., developer of a diesel locomotive fuel filtration system based on ultra-sonic cleaning, is now completely independent of the parent company, **Accoustica Associates, Inc.,** Los Angeles, Cal. It operates with new offices and research laboratory at 10826 Venice Blvd., Culver City, Cal., all equipment being manufactured at the company plant, Panama City, Fla. APEC officers include: **Robert L. Rod,** president; **William Wong,** secretary-treasurer; **Stanley Abramson,** marketing manager and **Walter Penick, Jr.,** research engineer.

CCI Corp. has acquired controlling interest in **Railroad Accessories Corp.,** Minneapolis.

Russell Railway Supply Co., Minneapolis, has been appointed sales representatives, **Western-Cullen Division, Federal Sign & Signal Corp.,** Chicago.

The Chicago sales office of **American Hoist & Derrick Co.,** has moved to 799 Roosevelt Road, Building 3, Room 214C, Glen Ellyn, Ill. 60137. **Marsh Norby** is in charge of locomotive crane sales.

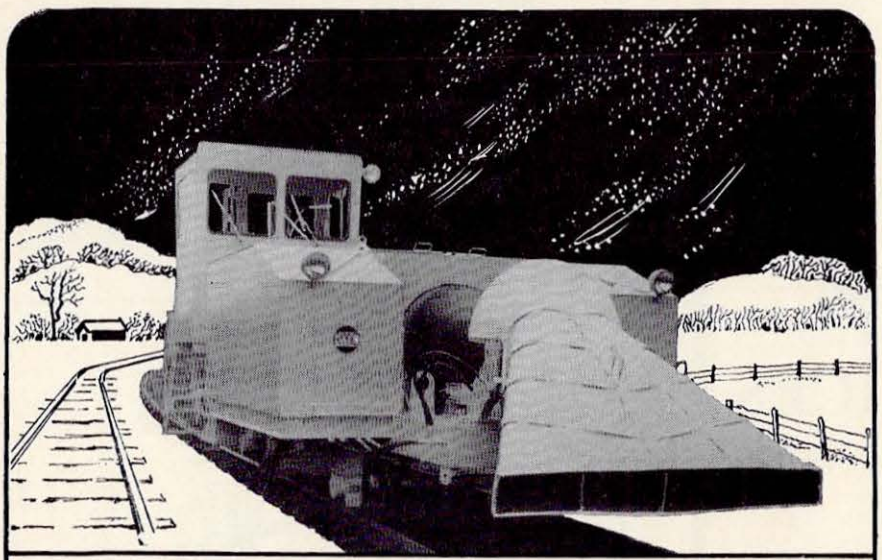
N. George Belury has been elected first vice president, **Abex Corp.,** New York. He was formerly group vice president, Cast Metals Products.

Thomas E. Peacock, manager, Central-South sales region, **Exide Power Systems Division** of **ESB Incorporated,** Philadelphia, has been appointed to the new position of director of marketing services. **Edward A. Holland,** manager, Northeast sales region, has been promoted to general sales manager, Exide Systems Division.

Ralph M. Darrin has been named marketing and sales manager, **Alco Products Service, Inc.,** Schenectady, N.Y. He was formerly marketing and sales manager for **Alco Locomotive, Inc.**

Lloyd G. Lucas has been named general manager, midwest region, **CTI-Container Transport International Inc.,** with headquarters at Chicago. Mr. Lucas was formerly director of operations and sales, Andrews Air International.

George H. Wahl has been named director-purchases. **CF&I Steel Corp.,** with headquarters in Pueblo, Colo., to succeed **Fordyce Coburn,** retired.



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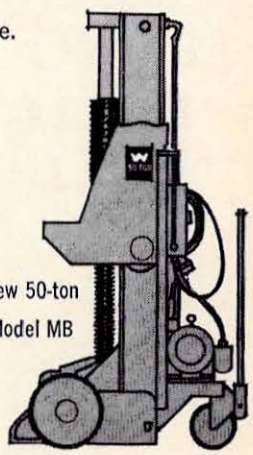

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LETTERS

Mass-transit aid

New York, N.Y.

To the Editor:

The Bob Coultas interview in the Nov. 3 issue ("Strong transit bill shapes up in Congress") is excellent. We appreciate your support in our joint endeavors to get mass transportation the kind of recognition and financial support it so badly needs.

William J. Ronan, Chairman
Metropolitan Transportation Authority

"Lou Menk sets the pace"

Rochester, Mich.

To the Editor:

The "Viewpoint" in the Sept. 1 Railway Age ("Mr. Menk meets the Professors") covers one of the most noteworthy accomplishments to date in the field of communications. It is interesting to note that Lou Menk again sets the pace for such communication and edification between the industry and the academic community.

A few years ago I had the pleasure of discussing railroading and education with Mr. Menk while we were travelling via California Zephyr to San Francisco. During our discussions it was obvious that here was a railroader with the intellect to realize that education and educational systems were a vital component of modern railroading. Mr. Menk was then, as now, convinced that education is one way of improving image, morale, communication and more importantly the balance sheet of a corporation.

Lou Menk's lead of inviting University people to view and discuss the operations of his dynamic system should be embraced by other executives in the industry. Particularly is this relevant and crucial when viewed in the context of the doom and gloom that now seems to pervade the industry. The resources of the academic community can be put to good use if enlisted via frank and open communication.

Roderic E. Righter
Associate Dean
Oakland University

For the record

San Francisco

To the Editor:

Railway Age's September 29 issue has, in its "You Ought to Know" column, an item about Northern Pacific's 55-mile line from Mesa to Mattawa, Wash.—characterized as "the longest new piece of railroad built in the West for more than 50 years."

For the record, and as a reminder of Railway Age's six-page spread on July 17, 1967, Southern Pacific a few days before that opened its new 78-mile line between Palmdale and Colton, Calif.

J. G. Shea
General Public Relations Manager
Southern Pacific

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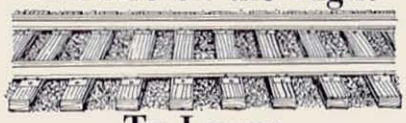

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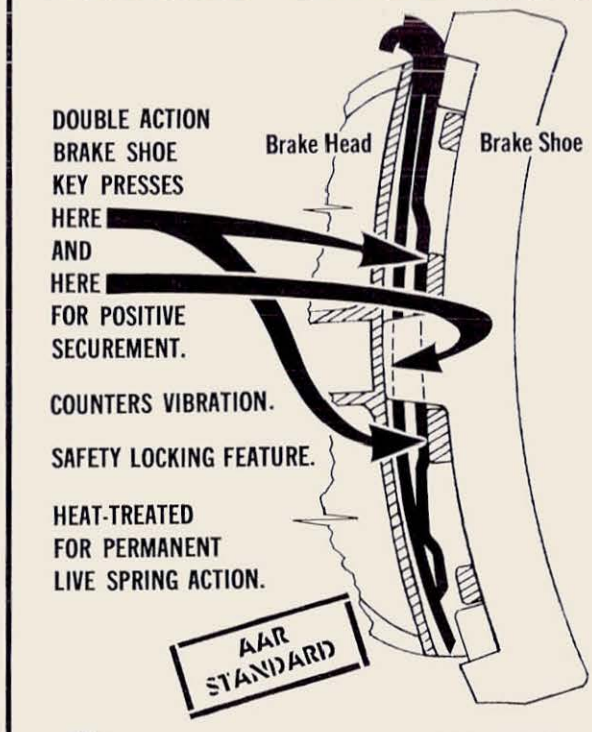

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VIEWPOINT

Rate increases: A shipper speaks his mind

Shippers don't like freight rate increases. No "consumer" wants to pay more for what he buys. But in Ex Parte 262, the current rate case, there is a different kind of shipper reaction developing—and it deserves attention.

The shipper who reacted is General Mills—which spends about $34 million a year for rail transportation and which would stand to see its rail freight bill go up by more than $2 million if the Ex Parte 262 increases are applied. GM stands in "qualified opposition"—not arguing with the railroads' need for more money, but rather urging that all concerned begin looking for long-term solutions to the industry's problems instead of always taking the short-term approach.

Says GM: "Granting railroads 'blank check' rate hikes is like giving morphine to narcotics addicts. It makes them feel good, it keeps them going. But eventually it kills them. The railroads are dying, and all the Commission's revenues and all the Commission's men can never put them together again—unless, that is, the Commission's men understand that the cause and the cure are not dollar bills." Ex Parte 262, General Mills says, "is a financial solution. Financial solutions have not solved and will not solve existing railroad revenue problems—which are problems much broader and more complex than financial."

General Mills does not pin any roses on rail management in its comments on the rate case. GM has long been critical of rail service quality, and it still is. At the same time, GM's relationship with the railroads "has never been, nor is it now, negative toward their revenue need. Rather, the concern of General Mills is for the survival of the nation's railroads as a privately owned business enterprise, financially healthy and capable of meeting the needs of transportation users."

OBJECTING TO ICC'S PRESCRIPTION

The ICC comes in for special criticism: "We do not object to giving the railroads additional dollars for their immediate needs. We do object to the Interstate Commerce Commission's prescription of dollars as a panacea for railroad financial instability—when that prescription is not accompanied by an appraisal of the problems that cause this financial instability and a realistic attitude toward elimination of those problems."

What kind of problems concern General Mills? Labor problems, passenger-deficit problems, service-quality problems, car-supply and car-utilization problems. And GM does not hesitate to say what it thinks ought to be done. On the labor issue, for instance, "there is nothing to prevent the ICC from taking official notice of issues cited as justification for a general rate increase and lending its weight toward eliminating or at least materially alleviating labor inefficiencies as a basis for future railroad rate increases."

General Mills is by no means alone among shippers in recognizing the need of tomorrow's railroads. Perhaps GM is just a bit more outspoken than most. And perhaps—just perhaps—the industry could use more of the kind of shipper support GM expresses.

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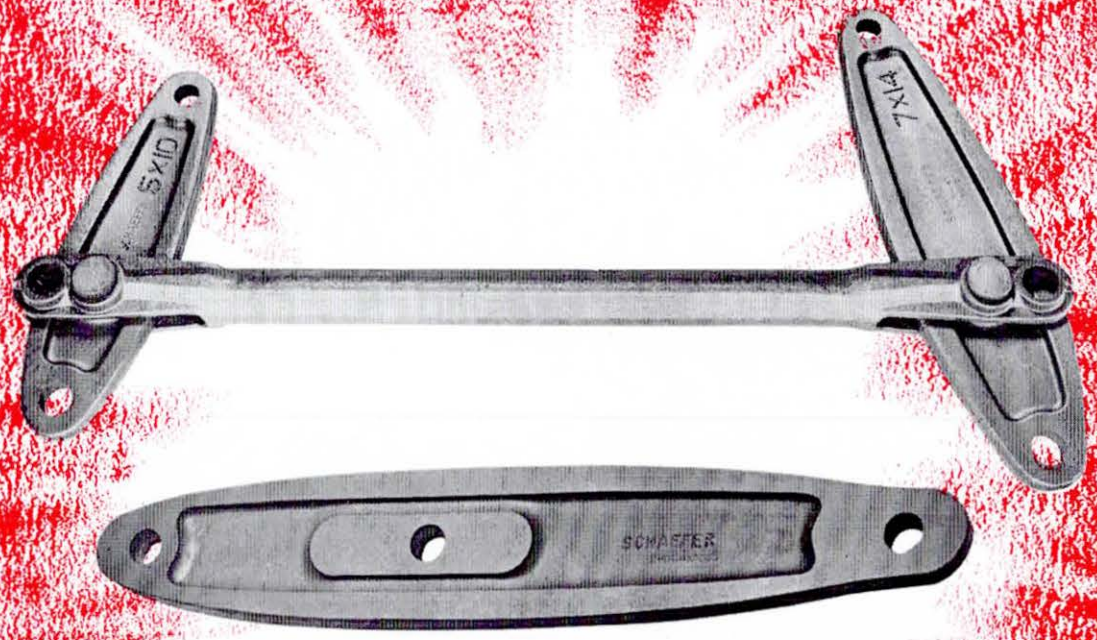

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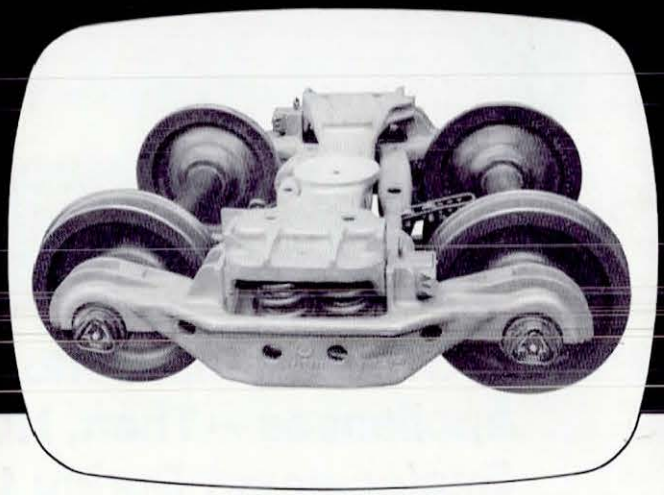

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